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NEWS SUMMARY

GENERAL

'Gang of Four' on trial soon

The "Gang of Four"—widely blamed for much of the strife and economic turmoil during the 15 years of China's Cultural Revolution—will be put on trial soon, Chairman Hua Guofeng said in Peking.

Hua told 35 European journalists that the four, led by Jiang Qing, Mao Tsetung's widow, would be cited for crimes against the Chinese people. They do not face the death penalty.

The "Gang" were arrested almost three years ago, just a month after Chairman Mao's death, and were later accused of plotting to take control of the Communist Party and Government. **Page 2**

New pressure on Patriotic Front

The Lancaster House talks on the future of Zimbabwe Rhodesia move into their fifth week with the Patriotic Front apparently facing an ultimatum from Britain to accept the new British proposed constitution or face the breakdown of the conference.

In Salisbury former Rhodesian Prime Minister Ian Smith rejected the British proposals because he said whites would lose control of the military and the judiciary. **Back Page and Page 2**

Berlin parade

East Germany staged its biggest military parade in East Berlin only hours after Soviet President Leonid Brezhnev, who watched the parade, had warned western Europe against stationing medium-range nuclear missiles on its soil. **Back Page**

Right-wing move

Right-wingers in Mr. Callaghan's Shadow Cabinet are expected to urge him to threaten not to co-operate with the inquiry into party organisation unless MPs are guaranteed special representation on the committee. **Page 6**

Ohira ahead

Preliminary results from the Japanese General Election indicate that the ruling Liberal Democratic Party of Prime Minister Masayoshi Ohira will increase its majority in the Lower House of the Diet, but probably not as much as the party had hoped. **Back Page**

Castro for UN

Cuban President Fidel Castro is expected to visit the United Nations htis week, according to the U.S. State Department. It will be Castro's first UN visit since a General Assembly session in 1960.

Solidarity praised

Engineering Employers Federation director general Anthony Frodsham says the solidarity of the EEF during the recent dispute enabled it to squash the most damaging aspects of the claim and find ways of offsetting the cost of the reduction in the working week. **Back Page**

Troy beaten

Troy, the British-owned favourite, was convincingly beaten into third place in the Prix de l'Arc de Triomphe in Longchamp by French filly Three Troikas and another French challenger Le Marmot. Britain had one success when Double Form won the Prix de l'Abbaye. **Page 8**

Briefly . . .

Pakistan's general election, due on November 17, may be postponed, President Zia ul-Haq said.

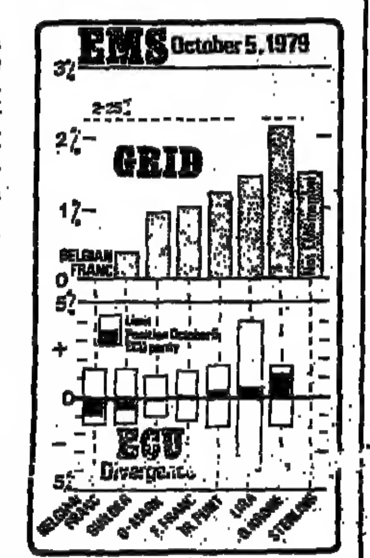
BUSINESS

Lloyd's faces £10.85m injunction

● **FEDERAL LEASING** of the U.S., which is suing 55 Lloyd's of London syndicates for $628m (£285m), is seeking a preliminary injunction for payment of $23.6m (£10.85m) in insurance claims. **Page 4**

● **BELGIAN FRANC** was the weakest member of the European Monetary System last week, in spite of the rise in the Belgian National Bank's complicated structure of interest rates on Wednesday. Belgium's discount rate rose to a record 10 per cent from 9 per cent, but the franc remained close to its permitted level against the Danish krone.

Denmark's currency has moved from geing the weakest member of the system to overtaking the lira as the strongest. This follows the krone's general devaluation two weeks ago and



The chart shows the two constraints on exchange rates within the European Monetary System; the "grid" of cross rates from which no currency (except the lira) may move more than $2\frac{1}{4}$ per cent and the varying degrees by which each currency may diverge from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

the earlier 2 per cent rise in the Danish National Bank discount rate. Mr. Anker Joergensen, Denmark's caretaker Prime Minister, spoke of the drastic measures required to solve his country's economic problems at last week's opening of Parliament, while Belgium's worsening balance of payments position was referred to in the latest monthly review of the Belgian Economics Ministry.

Meanwhile, the D-mark was held down against the dollar only by heavy central bank intervention, and Paris call money rose on Friday, although there was no pressure on the franc.

● **SHELL** is believed to have approached the four major clearing banks for quotations on a 7-10 year lease to finance the Shell-Esso North Sea support vessel and related equipment costing about £60m. **Back Page**

NEDC may axe working parties

● **NEDC** is to consider plans for abolishing seven of the 60 sector working parties and "little Neddies" which formed the basis of the last Government's industrial strategy. **Back Page**

● **GKN** and Armstrong Equipment have agreed terms for the exchange of certain subsidiaries, first announced in August. **Page 16 and Lex**

● **R-R REALISATIONS** stockholders are to receive a final payment of 8.41p per £1 of ordinary stock held, making a total of 63.41p. **News Analysis, Page 22**

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Fed raises discount rate to boost dollar

BY STEWART FLEMING AND DAVID BUCHAN

THE FEDERAL RESERVE Board, with the explicit support of the Carter Administration, has launched a new attack on U.S. inflation which is expected to push U.S. interest rates above already record levels and, it is hoped, help revive waning international confidence in the dollar.

The measures include a 1 per cent increase in the Federal Reserve discount rate to 12 per cent; a rise in reserve requirements on any increase in a broad range of bank liabilities;

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and a radical change in market management aimed at stabilising growth of bank reserves rather than market interest rates.

There will also be reserve requirements against borrowing in the Euromarkets by U.S. banks and domestic borrowers.

In sharp contrast to the dollar-support package forced on the U.S. by a mounting currency crisis a year ago, the latest measures are focussed directly on attacking accelerating U.S. inflation and excessive creation of credit, which many economists claim is fuelling it.

The point was driven home by Mr. Paul Volcker, Federal Reserve chairman, when he announced the moves on Saturday night.

"I would emphasise," he said "That the fundamental solution to the instability in foreign exchange markets does not lie in intervention and that the kind of actions we take here are ultimately more important."

There is considerable uncertainty about the precise impact of the Fed's moves, since much depends on how aggressively it follows through on the decisions it has made.

But many U.S. economists expect a significant rise in U.S. interest rates.

Dr. Henry Kaufman, a partner of the New York investment banking firm of Salomon Brothers, said yesterday that the prime rate in the U.S. would move to at least 14 to 15 per cent range compared with the current level, a record $13\frac{1}{2}$ per cent. Because of the likely restriction of credit availability which the Fed aims for.

Dr. Kaufman expects the impact of tighter credit conditions to result in higher long-term bond interest rates too.

The White House swiftly endosed the Fed's moves, with Mr. Jody Powell, the Presidential Press Secretary, saying the steps "will help reduce inflationary expectations, contribute to a stronger U.S. dollar abroad, and curb unhealthy speculations in commodity markets."

Washington does not routinely comment on Fed interest rate moves, and Mr. Powell's statement was clearly designed to quell rumours of major policy row between Mr. Volcker and Mr. William Miller, the Treasury Secretary and the Administration's senior economic policy-maker.

According to this speculation, which circulated widely in the markets on Friday, Mr. Volcker wanted to push the discount rate up by more than one percentage point against Mr. Miller's objections about the political damage this might do, and the Fed chief had threatened to resign.

A senior Treasury official denied yesterday that there had been any such split, and said the Administration was clearly and publicly "supportive" of the Fed's actions.

Fed officials also insisted that the Board had not contemplated a bigger discount rate increase, and that the decision to raise it to 12 per cent was a unanimous one by the Fed's seven governors.

Only two weeks ago the board split four to three when it voted a rate increase to 11 per cent.

Paul Betts in Rome writes: The Italian Central Bank's discount rate is to be increased by $1\frac{1}{2}$ points to 12 per cent today in a move which is designed to halt growing pressure facing the lira and reects alarm over the worsening of the country's underlying rate of ination.

This is the first adjustment in more than 12 months to the key Central Bank rate. In view of the country's improved economic outliik the discount rate had been steadily reduced in the last three years from a peak of 15 per cent to 10.5 per cent in September last year.

The measures

● **The discount rate is to be raised from 11 to 12 per cent and is likely to be moved around more flexibly in coming months.**

● **The Federal Reserve is to shift the focus of monetary policy away from the interest rate for federal funds in the direction of curbing bank reserve growth and thus credit creation.**

● **An extra 8 per cent reserve requirement on increases in most types of deposits.**

LABOUR LAW CHANGES

Ministers reconsider amendment

BY CHRISTIAN TYLER, LABOUR EDITOR

THE GOVERNMENT is preparing to drop the most far-reaching of its labour law reforms in the face of furious trade union opposition and widespread employers unease.

The proposal involved is a long-standing one to introduce a general limit on trade union immunity, so that employers can sue unions when their industrial action interferes with commercial contracts.

Employment Ministers are acutely conscious of the unpopularity of their proposed amendment to the Trades Unions and Labour Relations Act, and the argument of bodies like the Confederation of British Industry, the Engineering Employers' Federation and the Institute of Personnel Management that the change could lead them into a legal maze and heighten union opposition for little immediate gain to the employers.

Their preliminary verdict is bound to anger some sections of the Conservative Party, whose annual conference opens in Blackpool tomorrow.

The conference on Thursday will debate a motion from Newcastle Central welcoming the Government's initiatives on trade union reform, and urging Ministers "to hold firm to party policy as endorsed by the electorate."

In his speech of reply to the debate Mr. James Prior, the Employment Secretary, may stress that no final decision has been taken. But the direction of Government thinking is already clear.

Mr. Prior is due to reply after the conference to TUC objections to his plans, and aims to produce a Bill next month.

The net outcome of the Government's assessment is that action will be taken to limit picketing only, by removing the legal immunity of pickets not involved in a dispute and of those who stand outside workplaces not directly connected with the dispute.

But new legal constraint for industrial action generally, aimed mainly at curbing "secondary" activities like blacking and blockading of goods, are now considered too difficult to frame.

The Conservative election manifesto said that action would be taken on both fronts, and initial proposals to that effect were published in July.

Mr. Prior's original intention had been to act on immunities generally by pushing back on to

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North Sea drilling licence round may be postponed

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT may be forced to postpone the bidding for the next round of exploration licences in the UK sector of the North Sea.

Although Mr. David Howell, Energy Secretary, has not announced a date for the offer of seventh round blocks, he was thought to be hoping to publish details of the new drilling acreage this autumn. Now it seems unlikely that the blocks will be put on offer before the early months of next year.

The seventh round licences have been caught up in a backlog of energy policy considerations, caused partly by the protracted discussions about British National Oil Corporation's future—and whether or not the corporation should be able to keep all of its assets—and partly by the still unresolved issue of the sale of some of the Government-held British Petroleum shares.

Mr. Howell is also working on a new energy strategy for the UK; one which takes in such considerations as the expansion of the nuclear and coal industries and the depletion of Britain's reserves of crude oil and natural gas.

Exploration

A few months ago Mr. Howell said he was concerned about the drop in oil exploration and development activity in the North Sea. He indicated that not only was he anxious to encourage an early start to drilling under the terms of the sixth round but was also keen to start the licensing procedures for the seventh round.

In this way it was hoped that companies would be able to begin drilling on the seventh round acreage in 1981. This timetable might still be met, providing the Energy Department is able to vet the oil industry's applications reasonably quickly next year.

Some oil companies have already been invited to submit suggestions for blocks they would like to be offered in the seventh round. And the UK Offshore Operators' Association has urged the Government to make the rund bigger and more attractive than some of the previous rounds in order to stimulate exploration.

However, some in the Energy Department feel that there is now less of an urgent need for a big and early stimulus. In recent months there has been a marked increase in exploration and development activity. For instance, the oil industry is developing 12 North Sea fields and a dozen oil fields are already on stream.

Drilling activity under the terms of the fifth and sixth rounds is also building up. One North Sea analyst said this weekend that the past month had seen records broken on the combined UK/Norwegian offshore sectors. "More oil and gas has been found in more separate reservoirs and more companies are involved than in any previous month," said Mr. David Roberts, of Gilbert Eliott.

The one find which pushed the September activity into the record books was Shell's discovery of a very big gas field in the Norwegian sector, on block 31/2. However, there have also been several recent discoveries on the UK side of the median line, including Union's 2/5-10 well, Total's 3/9-4 well, and British Petroleum's 16/28-4.

Companies seeking new exploration acreage have been given the opportunity of buying all or part of BNOC's interests in 23 blocks.

Portfolio

Although the corporation says it is receiving inquiries from prospective purchasers, within the industry it is considered that the blocks cover the less attractive exploration area in the corporation portfolio.

There could be a further obstacle to the corporation's planned sale. The Government has said it want to retain an option, through the corporation, to buy up to 51 per cent of all the oil produced from the North Sea. The corporation's oil trading business is being retained wholly in state hands specifically to handle such flows of oil.

However, in 15 of the 23 licences on offer the corporation has gained entitlement to the state's share of any oil produced through its 51 per cent equity holding. The question which is now troubling some oil companies is what happens if the corporation sells its 51 per cent stake? Will the buyers have to offer to sell back to the corporation a portion of any oil found? And will the companies presently holding the other 49 per cent share of the licences be expected to offer the corporation part of their crude as well? These issues should be clarified within the next few weeks. Proposals have to be submitted to the corporation before noon on November 9.

Tories concerned at their image

BY ELINOR GOODMAN, LOBBY STAFF

MINISTERS will use this week's Conservative Party conference to try correcting what they regard as the unfortunate light in which Government policies have been represented. There is serious concern in the Cabinet that only the negative side of the Government's policy on public spending has got across and that the unions have so far had the best of this particular propaganda battle. This feeling is also shared by some senior backbenchers.

Some Ministers still have their reservations about the wisdom of asking for spending cuts of the size now required. But during what is likely to be a four-day victory celebration in Blackpool, they will make a concerted effort to present the cuts in a more positive light.

It will be emphasised that the Government has not actually cut expenditure in real terms, only reduced Labour's planned increases.

They may also try to pass the blame for some of the more publicised cuts, like economies in certain forms of medical treatment, onto someone else. In some cases, the local authorities may be presented as the villains. In others, the unions may get the blame for draining money away from other forms of expenditure, such as new kidney machines, by inflated demands.

The campaign to change the Tory image—which is likely to be accompanied by more details of policies in certain areas dear to the hearts of Tory activists, such as law and order and housing—marks a shift of emphasis in the Government's attempt to get its message across. Last month, Ministers were asked to use every speaking engagement possible to emphasise that big wage claims could only lead to redundancies.

Now those responsible for assessing how Government policies are coming across to the public believe that they have had some success in getting the message about pay claims across and that they are more vulnerable to what they regard as an orchestrated attempt by the unions to whisk up hysteria about the public expenditure cuts.

The party organisers are confident that the party will present a good image of itself at its annual conference. It can hardly fail to present a front more united than Labour's in Brighton last week. Speakers, included possibly the Prime Minister herself, may use the opportunity to remind the public of Labour's internal problems.

Ministers seem confident that the threatened row on Rhodesia will prove to be a damp squib

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Future of Clydebank plant being reviewed by Singer

BY RAY PERMAN IN NEW YORK

SINGER, the U.S. sewing machine group, is reviewing the future of its UK manufacturing plant at Clydebank which, it has warned, is at risk because of low productivity and a fear that 1980 orders will not meet projections.

Mr. Alex Fletcher, the Scottish Office Industry Minister, who is in the U.S. on a promotional tour, is to meet senior executives at the company headquarters in New York today to discuss the problems of the factory. The meeting was not part of the Minister's original programme.

The Government and unions have been concerned about Clydebank for some time, particularly since June this year when 800 redundancies were announced and the management revealed that the factory had failed to meet the planned rate of production on a new home sewing machine line.

The number of jobs at the plant have been reduced steadily. They now total 3,000, compared with 14,000 two years ago, and for the past two months Clydebank has been manufacturing for only four days a week because of a fall in demand.

Mr. Ed Keehan, Singer's head of European operations, has asked full-time union officials to meet him on Friday and is expected to give them Singer's latest projections for orders for domestic machines, on which the plant's survival now depends, and to review the productivity record.

A productivity scheme linked to a new pay agreement is among the key elements in Singer's plan to save Clydebank, which was announced last year at the same time as £8m in new investment. But this summer the management said that failure to meet targets had adversely affected orders and stressed that higher output was essential.

Mr. John McFadyen, union convenor at Clydebank, said yesterday that the workforce believed that the company had been considering closing one of the three principal European plants, in Italy, West Germany or the UK.

Shop stewards were told of the meeting called by Mr. Keehan when they returned to work last Wednesday following the settlement of the national engineering strike.

Singer's European headquarters in Paris said last night that no decision had been taken about the future of Clydebank. "We are continually reviewing our manufacturing operations worldwide, as any prudent company would do."

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Volcker supports the dollar

New Fed thrust will focus on supply of bank reserves

BY STEWART FLEMING IN NEW YORK

ON NOVEMBER 1, 1978, with the value of the dollar crumbling daily in terms of the world's leading currencies, the United States launched a sweeping support operation which included the mobilisation of up to $30bn for foreign exchange intervention, a rise from 8½ to 9½ per cent in the Federal Reserve's discount rate, the imposition of a 2 per cent reserve requirement on certain bank liabilities and sales of gold.

The measures, announced by Mr. Paul Volcker, the new chairman of the Federal Reserve Board, on Saturday, appear to have some superficial similarities.

But on closer analysis the thrust of the new moves taken by the Fed is very different. This time the package is aimed at the fundamental causes of the dollar's weakness, an acceleration in the U.S. inflation rate to a level of over 13 per cent so far this year, and growing doubts about the willingness of the Carter administration to attack that problem.

The key to the new thrust of Federal Reserve Monetary policy is a sentence in the official statement which says that "*for the time being (the Fed) will focus on supplies of bank reserves in trying to control the growth of the money supply instead of, as now, focusing on the federal funds interest rate.*"

The Federal funds market

Monetary policy is conducted on the basis that excessive growth in the supply of money fuels inflation. To curb excessive monetary growth the central bank *sells securities in the* money markets which should result in draining bank reserves from the financial system, making bank loans harder to obtain.

Hitherto the Fed has undertaken these operations with a focus on the rate of interest in the market for bank reserves, the federal funds market. A growing criticism of this method of controlling money has been that in focussing on the federal funds interest rate the Fed has tended to supply reserves too *freely*.

The supply of reserves

Thus when there has been a heavy demand for bank reserves, instead of letting the federal funds interest rate rise, the central bank has supplied the reserves in order to maintain its interest rate target.

It is this approach to managing the money supply which is being changed. For the time being the central bank is going to *focus on the supply of* reserves to the banks. It has not detailed how it will carry out these operations. For example it will doubtless take into account seasonal variations in demand for loans and therefore bank reserves.

But to some extent it plans to let interest rates *rise or fall* more frequently to reflect changing money market conditions instead of trying to maintain a target federal funds interest rate to curb demand *for money over the longer* term.

In taking this action it is accepting that the structure of the financial markets has changed dramatically as a result of inflation and innovation by banks and so it must alter its management of monetary policy.

Thus banks will be less sure of the cost of their money in the days and weeks ahead, since other money market intergst *rates tend to move in step with* the Fed funds rate. They will therefore have to be rather more cautious in their lending policies.

In addition to the change in the thrust of monetary management, the central bank is going to make it more expensive for close to 300 of the laregst banks to obtain funds for lending. In the 1970's banks have been relying increasingly on wholesale money—bought from the money *markets or big corporations*—for funds to lend and less on the deposits of individual customers.

Glyn Genin

Mr. William Miller

Because of the nature of wholesale money they can go out *and attract* it by raising interest rates to lenders with large sums to offer to the banks. (The banks find it much harder to increase their deposits from individual customers since interest rate ceilings prevent them paying over certain levels to smaller depositors.)

The Fed is seeking to curb the growth of wholesale deposits in a number of ways. It is imposing, for example, an 8 per cent *reserve requirement* on money big banks bring into the U.S. from the Eurodollar markets. That means that for every $100 that the banks bring into the U.S., Federal Reserve member banks above a certain size will have to put $8 on deposit with the Fed. money which will not earn interest. This raises the cost of these funds to the banks and should translate into higher lending costs.

Similar additional reserves will be applied to other wholesale funds. Large certificates of deposit, for example, currently have a reserve requirement of *between 3 and 8 per cent*. Those with 8 per cnte rserve requirements will now have to put aside 16 per cent reserves.

A vital qualification however is that these new and punitive reserve requirements on wholesale deposits will not apply to the existing $240bn or so of funds in such accounts. It is only increased from this level which will be affected.

In addition banks with less *than $100m of such funds* will ze exempt—a move which the Fed hopes will discourage smaller banks who have been quitting Fed membership from resigning even faster. This would surely have happened if the new reserve requirements had then imposed on them.

U.S. branches and agencies of foreign banks will also be required to put up the reserves —the first time this has happened.

Just how far reaching will be the impact of these new moves depends on how aggressively the Fed moves to curb reserve creation and how the commercial banks react. *The Fed has said* that it expects its new policies to have a similar impact as its traditional methods of operating but in a much shorter time frame.

President Carter

If the banks do not change their approach, or continue to bid aggressively for new funds *to lend and their customers are* prepared to pay the higher and higher borrowing costs, interest rates could rise to levels which will eventually curb loan demand. It seems likely that if such credit demands exist, they will spill over into the long term bond markets too, pushing up interest rates there as well as in the short term money market.

The question mark over this has to be the ability of the Fed *to push rates to levels which* can evoke such a reaction without finding itself under fierce attack from Washington's political leaders.

The commitment of Mr. Carter and Congress to the new policy can only be judged in the coming months. But already there have been murmerings in Washington against higher interest rates and the damage they will do to the U.S. economy. The new package will raise interest rates even higher.

Mr. Paul Volcker, the Federal Reserve Board chairman:

Complementary controls to dampen inflationary forces

THE FOLLOWING is part of the Press statement issued by the Federal Reserve Board and summarised by Mr. Paul Volker, the Fed chairman, on Saturday evening:—

The Federal Reserve today announced a series of complementary actions that should assure better control *over the expansion of money* and bank credit, help curb speculative excesses in financial, foreign exchange and commodity markets, and thereby serve to dampen inflationary forces.

Actions taken are:—

1. A 1 *per cent increase in* the discount rate, approved unanimously by the board, from 11 per cent to 12 per cent.
2. Establishment of an 8 per cent marginal reserve requirement on increases in "managed liabilities"—liabilities that have been actively used to finance rapid expansion in bank *credit*. This was also approved by the board.
3. A change in the method used to conduct monetary *policy to support the objec*tives of containing growth in the monetary aggregates over the remainder of this year within the ranges previously adopted by the Federal Reserve. These ranges are consistent with moderate growth in the *aggregates over the months* ahead. This action involves placing greater emphasis in day-to-day operations on the supply of bank reserves and less emphasis on confining short-term fluctuations in the federal funds rate. It was approved unanimously by the Federal Open Market Committee, which is comprised of all members of the Board of Governors and *five of the* 12 presidents of the Federal Reserve Banks.

In announcing these changes, the board issued the following statement:

"Inflation has continued at an exceptionally high rate over recent months. In part, the inflation rate reflects sharply rising energy prices, and those pressures should be sub*siding in the months to come*. However, appropriate restraint on the supply of money and credit is an essential part of any programme to achieve the needed reduction in inflationary momentum and in inflationary expectations. Such restraint *should help to avoid* new *uncertainties* about the outlook for prices and distortions in markets that could aggravate the process of *economic adjustment* that is under way. It will help to restore a stable base for financial, foreign exchange, and *commodity pricing*.

"Under the provisions of the Bumphrey-Hawkins Act, the Federal Reserve sets *yearly targets for the mone*tary aggregates and bank credit, and reports these targets to the Congress. At mid-year, the targets for 1979, encompassing the period of the fourth quarter of 1978 to the fourth quarter of 1979, were reviewed and re-affirmed at 1½ to 4½ per cent for M1, 5 to 8 per cent for M2, and 6 to 9 per cent for M3*. These targets, after allowance for the *smaller shift of demand* deposits to automatic transfer service (ATS) and negotiable order of withdrawal (NOW) accounts still seem broadly appropriate.

(ATS accounts are those where a bank will automatically transfer funds from *a customer's deposit account* to his current account to cover his cheques. NOW accounts, available mainly only in New England and New York allow a customer to write a cheque against his deposit account).

"However, growth over recent months in these aggregates and in bank credit has been more rapid than is consistent with those targets, and, if unrestrained, would clearly *be excessive in terms of our* basic economic objectives. Recent Federal Reserve actions, taking account of in*evitable lags, should work to* contain money and credit growths in the months immediately ahead, consistent *with the targeted objectives*. The actions announced today are designed to provide further assurance that those objectives will be reached.

The board also stressed that banks should avoid loan activity that supports speculative activity in gold, commodities, and foreign exchange markets.

* The M1 target has assumed a shift of about 3 per cent of demand deposits to automatic transfer service accounts (ATS) and NOW accounts; that shift now appears to be about 1½ per cent, so that the *equivalent adjusted target* is 3 to 6 per cent for M1.

OTHER OVERSEAS NEWS

Gang of Four go on trial soon, says Chairman Hua

BY OUR FOREIGN STAFF

THE "*Gang of Four*"—widely blamed by China's present moderate leadership for numerous crimes against the State—will be put *on trial soon*, Chairman Hua Guofeng said in Peking yesterday.

The Communist Party chairman told 35 European journalists that the "Gang," which was led by Jiang Qing, Mao Tse tung's widow, would be tried for crimes against the *Chinese people. They do not* face a death sentence, Chairman Hua said.

The "Gang of Four" was arrested almost exactly three years ago, just a month after Chairman Mao's death. They later accused of plotting to seize control of the Communist party and Government.

The Chinese leadership blames the "Gang" for civil strife and economic turmoiil throughout the past 15 years. Responsibility for most of China's present economic prob*lems is heaped on them*.

Chairman Hua assured correspondents that the four were well. Apart from Mao's widow, they comprise Zhang Chungjiao, Yao Wenyuan and Wang Hungwen. They have been held incommunicado since their arrest, but are understood to be *in a prison east of Peking*.

No indication was given of when the trial would open. Specific criminal charges have never been levelled at the four.

But, stressing that China was introducing a new system of "socialist legality," Chairman Hua said: "The Gang of Four committed very grave crimes against the Chinese people, and these crimes will have to be settled. They will, of course, be handled in the due process of law."

The National People's Congress (China's *Parliament*) recently adopted a new legal code, due to come into effect on the January. The "Gang of *Four" is unlikely to appear on* trial before this date.

Chairman Hua told one correspondent: "I can assure you that (the "Gang") will not be treated like they treated many of our cadres. They will not be sentenced to death, and I can tell you they now are alive and well-treated."

The Press conference was the second granted by Chairman Hua. It was intended to provide correspondents from Britain, France, Italy and West Germany with a briefing ahead of the Chairman's historic visit to Western Europe, starting on October 14.

Chairman Hua Guofeng

Chairman Hua's only previous Press conference was in December last year, when the U.S. and China disclosed they were normalising diplomatic relations.

Hong Kong wins assurance on future status

BY PHILIP BOWRING IN HONG KONG

CHINA HAS GIVEN its most specific assurance so far that Hong Kong's separate, capitalist status will continue for the foreseeable future.

Chairman Hua Guofeng said in Peking yesterday that a good way of settling the question of Hong Kong, Kowloon and the New Territories—the three constituent parts of the crown colony—could be found through consultations with Britain. He added that regardless of how the matter is settled, "we will take notice of the interests of investors there."

The New Territories were leased to Britain until 1997 by China over 80 years ago. But China's Communist leadership has never recognised the lease. As the expiry date has neared, so there has been increasing concern inside Hong Kong that the colony's future be clarified.

Sir Murray MacLehose, the Governor of Hong Kong, made an extremely successful trip to Peking in April this year, in which he won assurances from the Chinese leadership that the present capitalist nature of Hong Kong's economy would not be tampered with. Vice-premier Deng Xiaoping told Hong Kong's businessmen: "Let your hearts rest at ease."

Chairman Hua's remarks indicate that the Chinese are now beginning to think seriously about Hong Kong and are preparing the way for negotiations with Britain. The matter is certain to be raised during Chairman Hua's forthcoming visit to Britain, and it is widely believed that Sir Murray Maclehose, the Governor of Hong Kong, would like to crown *his decade of rule by arranging* an accommodation with China on Hong Kong before his recently extended term of office expires in early 1982. The likelihood seems to be that sovereignty over Hong Kong seems likely to be handed back to China well be fore 1997. Some diluted form of British administration is expected to continue, however, with the status quo being guaranteed for a specific minimum period.

U.S. recalls its envoy to Seoul

SEOUL — Mr. William Gleysteen, the U.S. ambassador left for Washington on Saturday, called home by his government for talks following the expulsion of South Korean opposition leader Kim Young-Sam from the National Assembly.

In an unusually quick reaction, Washington said it deeply regretted Kim's expulsion, *which it called "inconsistent* with the principles of democratic government."

The ruling party of President Park Chung-Hee unanimously voted Thursday to expel the outspoken opposition leader on charges of anti-state remarks and activity.

The U.S. State Department promptly recalled its envoy from Seoul for consultations in connection with Kim's case, while Korean Ambassador Kim Yong-Shik conferred with Assistant secretary of state Richard Holbrooke.

Zia may postpone elections

Islamabad — General Zia-ul Haq, Pakistan's military ruler said yesterday that General Elections planned for November 17 may have to be postponed.

He also announced after a *week of almost non-stop consul*tations that he had agreed to demands by political leaders to give parties more time to register with the Government and relax registration rules.

"Because of the allocation of more time to the political parties as demanded by them, the polling date may have to be readjusted to hold elections within 1979," General Zia said. His statement follows a report in a Government-controlled newspaper on Saturday that the elections should be put off.

Only 14 of more than 100 *parties were registered when the* deadline passed on September 30. Candidates of other parties were then disqualified.

Chief among the unregistered parties were the Pakistan People's Party (PPP), once led by the executed premier Zulfikar Ali Bhutto, and the Pakistan National Alliance (PNA), the country's two main political *parties. Both protested* that enforced registration was unconstitutional and many parties said they were not given enough time to register.

General Zia has been searching for a compromise in his talks with political leaders—excluding the PPP—which would at least allow the PNA to contest the poll. He has now extended the date for registration to October 9 and for the nomination of candidates to October 13.

He has also said that parties providing the necessary details—*accounts, manifestoes and* a list of office holders—would be considered eligible for election without actually being registered.

The move is unlikely to allow PPP members to stand as official candidates, but the Party has already said it will contest the poll clandestinely either by fielding independent candidates *or through one of the smaller* parties. Reuter

Observers in Islamabad note that postponement of the elections beyond *November 17* is likely to prejudice any chance of holding them before the end of the year. The winter sets into the northern and western parts of Pakistan at the end of November, and as the snow arrives, so it is likely to become extremely difficult to mount an election campaign, or an efficiently run poll.

There is therefore a growing feeling that postponement now *will in effect put back the elec*tions until the spring of next year, sometime in March. Agencies

Caribbeans attack U.S. plan for task force

By Mohammed Hamaludin in Georgetown

THE LEFT-WING Governments of Grenada, Guyana, Jamaica, and Saint Lucia—four of the *12 members of the Caribbean* Community (CARICOM)—have jointly criticised plans for an increased U.S. military presence in the area.

A joint communique issued at the weekend said no decision affecting the peoples of the Caribbean could be taken without proper consultation with the Governments of the region.

The communique expressed the desire and determination of *the four Governments* to preserve the Caribbean as a zone of peace free from Great Power rivalry.

U.S. President Jimmy Carter has announced plans to set up a Caribbean task force in Florida and increased surveillance of the area. This *follows* U.S. charges that there are Soviet combat troops in Cuba.

Schmidt urges coal production

West Germany must break its dependence on foreign energy supplies by giving absolute priority to domestic coal production, Chancellor Helmut Schmidt said yesterday, Reuter reports. Nuclear energy was *unavoidable, however, as a stop*gap until sufficient alternative sources were developed to free the country from its dependence on oil.

Tito plea

Yugoslav President Tito at the weekend called for efforts to help developing countries strengthen their economies as a method of halting world inflation, Reuter reports from Belgrade. Speaking at his hunting lodge near Belgrade, the President told Mr. Jacques de Larosiere, the Managing Director of the International *Monetary Fund* (IMF), that strengthened economies would allow the developing nations to become equal trading partners with industrialised states.

Natural gas plant

The first industrial plant to use Ireland's reserves of natural gas was opened *today* with a warning from the Prime Minister that the experience in constructing the plant might make the *state think twice in future about* such undertakings, Brendan Keenan reports from Dublin.

Bomb defused

Security forces defused a car bomb on Saturday night behind the main mosque at Khorramshahr, the Gulf port town where three people died in a bazaar explosion last Friday, the official Pars news agency said in Tehran, according to Reuter.

Smith rejects proposals

SALISBURY — Former Prime Minister Ian Smith yesterday rejected a British proposal for a *constitutional* settlement of the Zimbabwe Rhodesian guerrilla war because whites would lose control of the military and judiciary.

The Zimbabwe Rhodesian delegation to the London peace talks, headed by Bishop Abel Muzorewa, the Prime Minister, accepted the British plan on Friday.

But Mr. Smith, saying he spoke for Rhodesia's whites, said it was "madness to tamper with security and law and order.

"The British are now asking us to accept a new set-up which will give any future Prime Minister virtual dictatorial powers in the appointment and dismissal of our security chiefs and our judiciary."

Mr. Smith said a Prime Minister could "go outside our country to Russia or one of its satellites" for a military chief.

Under the internal settlement Mr. Smith negotiated with blacks prior to April's black majority rule election, whites were given control of the military and judiciary as well as veto power over constitutional changes and a larger representation in parliament than their population would entitle them to in a one-man, one-vote system.

The British constitutional proposals provide for no white control of military or judicial officials. These appointments would be made by the president, acting on the instructions of the Prime Minister.

"Clearly thes things are unacceptable, and unless they are changed, these British proposals will be rejected by our parliament," Mr. Smith said.

But he made it clear he was not *blaming his delegation* for acceding to the plan, and said he might return to the peace talks.

Bishop Muzorewa in a Press conference in London on Friday said: "I think Mr. Smith still thinks he is fighting the battle of UDI with the British Government. He doesn't realise we have a new era. I think that is what is at the back of his mind. It's unfortunate."

He went on: "I can assure you that at home the majority of whites are going along with this understanding at the conference."

Although he was the only member of the delegation who voted against the plan, Mr. Smith said several blacks also opposed it because it could drive much-needed white skilled workers from Rhodesia. "Nothing would make white people leave Rhodesia sooner than a breakdown in security and law-and-order and standards of impartiality in courts," Mr. Smith said.

However, he had no objections to new elections. He bitterly attacked the Conservative Government of Mrs Margaret Thatcher. Her election had raised high hopes in Zimbabwe because of her party's *pre-election pledge* to lift sanctions if the April elections were found to be fair.

The terms offered by Mrs. Thatcher's Government "are worse than those from any previous British Government since our declaration of independence," Mr. Smith said.

Zambia crisis could affect talks

BY MICHAEL HOLMAN

ZAMBIA FACES a food crisis *which could influence* the Lancaster House talks on Rhodesia.

The weekend announcement in Pretoria that South Africa is to rush 200,000 tons of maize to Zambia (some four months supply) in an effort to avert an impending shortage of this *staple crop is the result of* a disastrous harvest in 1978-79.

Maize meal is the main diet of the 5.5m Zambians, 40 per cent of whom live in towns and are dependent on supplies reaching the shops. Existing supplies could run out by the end of the year, which, given landlocked Zambia's inefficient transport system, leaves little time to find a solution.

The development underlines the dilemma faced by President Kaunda. The ailing, copper-dependent economy requires transport and supply links with *the south. These links*, however, may prove incompatible with the President's support of the 15,000-strong guerrilla army of the Zimbabwe African Peoples Union (ZAPU) partly based in Zambia.

It is led by Mr. Joshua Nkomo, who with Mr. Robert *Mugabe of the Zimbabwe* African National Union (ZANU) is co-leader of the Patriotic Front delegation to the London talks.

The southern railway route through Rhodesia to South African ports was re-opened by Dr. Kuanda last October after a *five-year* closure. It was a move forced on him by the inability of the northern link to the sea, the inefficient Tanzania-Zambia railway (Tazara), to handle the vital copper exports and bring in fertiliser in time for the November rain.

In the event not only did the fertiliser arrive too late to reach all farmers, poor rains and a 40 per cent fall in hectarage planted (a reaction to low maize prices) caused a drastic fall from the usual 6-7m bags to some 2.5m bags.

With monthly consumption at *half a million bags*, and the 1977-78 crop was expected to run out in July, 1979, and thereafter the country has been consuming the 1978-79 harvest —expected to last only until the end of this year.

Were the southern route to be cut—by political decision in Salisbury, *a breakdown* of the Rhodesian administration, or in the course of the war—every calculation on which Zambia's slow path to economic recovery is charted would become meaningless.

Oxfam aid for Kampuchea

BY KATHRYN DAVIES IN SINGAPORE

OXFAM is successfully moving substantial amounts of food aid *into Kampuchea at a time when* UN aid efforts have been stalled by political debate over how aid to the striken country should be administrered.

A barge the size of a football field was due to leave Singapore yesterday laden with 1,500 tons of foodstuffs—including ground maize, wholemeal flour, sugar and rice. It should arrive at the Kampuchean portof Kompong Som in four days time.

Oxfam has been able to steal a march on other aid agencies *by turning a blind eye to* Western political demands that the official aid effort should be even-handed. Oxfam's aid will be distributed solely through the Kampuchean Government of Heng Samrin, which is backed by Vietnam. The overthrown Pol Pot regime, which clings onto a number of splintered strongholds in western Kampuchea, will get none of the Oxfam aid.

Oxfam is confident that it can supervise the uses to which the aid is put—so confident that it was willing to promise Singapore stevedores that none of the aid would fall into the hands of *Vietnamese soldiers*.

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NATO REACTS TO THE BREZHNEV INITIATIVE

West worries about a 'freeze'

BY GILES MERRITT IN BRUSSELS

THE NATO allies yesterday made it plain they would reject any Soviet proposal that might entail "freezing" the present arms balance in the Warsaw Pact's favour.

NATO's carefully-worded reaction, hurriedly agreed between the 15 member-countries of the alliance and issued from its Brussels headquarters, was in response to Mr. Leonid Brezhnev's weekend offer of a reduction in the Warsaw Pact's medium-range nuclear strike forces, providing NATO abandoned plans to modernise its own nuclear forces with Cruise missiles and the new Pershing II missile.

The key section of the NATO reply concerns the terms on which the U.S. in consultation with NATO partners, would join in any fresh round of arms limitation talks. "Such negotiations," the NATO text reads, "would have to be based on the principle of equal rights and security, and should not serve to contractualise the current inequality."

The Western alliance is stating that it proposes to redress the nuclear imbalance in medium-range weaponry before discussing further limitations on long-range missiles.

The question of equipping NATO forces with the mobile Cruise missile and with Pershing IIs, which can reach the USSR from forward positions and would replace the less powerful Pershing I, is to be decided when NATO defence Ministers meet in Brussels in December.

The stern NATO reaction to Mr. Brezhnev's unilateral gesture to withdraw 20,000 men and 1,000 tanks from East Germany over the next 12 months — thus cutting troop strength there to an estimated 390,000 men and 5,000 tanks—and to his suggestion of mutual cuts on nuclear weapons, reflects the Western alliance's growing concern at the build-up of overall Warsaw Pact strength in recent years.

Last month, Dr. Henry Kissinger, former U.S. Secretary of State, warned a Brussels conference on the future of NATO that within five years, the alliance would find itself at a three-to-one disadvantage in terms of nuclear weapons; in conventional forces, that figure would be four to one.

While the Soviet decision to reduce troop levels slightly appears a concession, NATO officials say it must be put in the context of the latest round of Mutual and Balanced Force Reduction (MBFR) talks, which are stalled over disagreement on existing military strength.

The Warsaw Pact claims to have 805,000 men stationed in East Germany, Poland, and Czechoslovakia, while NATO insists that the troop level in these three "reduction area" countries is in fact 960,000.

NATO puts its own strength in the comparable front-line countries of West Germany and the Benelux at 790,000, while the aim of the MBFR negotiations is to reduce the level on both sides to 700,000 men.

At present, NATO says, it has "nothing comparable" with the mobile SS-20 multiple warhead missile, which carries up to three warheads and numbers 100 deployments—or with the Backfire bomber.

In its statement, NATO has underlined the need for the Soviet build-up to be reduced or countered, as a way of guaranteeing a "more stable military relationship."

Offer may aid arms pact

BY OUR WASHINGTON STAFF

PRESIDENT BREZHNEV'S offer of limited troop withdrawal from East Germany could help passage of the SALT II treaty through the U.S. Senate, according to Senator Henry Jackson, a hard-line critic of the arms pact.

Senator Jackson, a leading opponent of the treaty as at present drafted and the supporter of wide-ranging amendments to the arms pact, said it was still too early to gauge the reaction of the whole Senate, which would first want to examine the practical impact of the Soviet move on the European power balance.

But he suggested it could have an important political and psychological impact on the Senate, which has been largely unimpressed by President Carter's response to the Soviet refusal to withdraw or disband its troops in Cuba.

Egypt puts its diverse military might on show

BY ROGER MATTHEWS IN CAIRO

EGYPT laid on its largest ever display of military strength at the weekend to mark the sixth anniversary of the 1973 war with Israel. The aim of the parade, the first since the peace treaty with Israel aws signed, was not a show of muscle said General Kamal Hassan Ali, the Defence Minister, but to demonstrate that Egypt was fully armed to defend liberty.

It also revaled the extraordinary diversity of Egypt's arms supplies with equipment from the Soviet Union, China France, Britain and the United States. The first fruits of Egypt's U.S.$1.5bn arms deal with the U.S. were represented by Phantom F-4 fighter bombers and armoured personnel carriers, while Chinese F-6 Shenyany fighters also made their first appearance

Preparations for the parade had ben marred when two aircraft, believed to be transport planes or light bombers, collided west of the Giza Pyramids, killing at least 10 crew. No official announcement has been made and most of the people attending Saturday's parade were unaware of the accident.

President Anwar Sadat, wearing a Field Marshal's uniform, took the salute at the parade which was also remarkable for the almost total absence of Arab representation.

Egyptian military sources stressed that one of the purposes of the parade was to emphasise that the shortage of spares for the still mainly Soviet-equipped forces has been largely overcome. But despite continued official denials that the Soviet Union has resumed some spares shipments it is clear that there is no embargo on trading with the Russians. Cairo newspapers reported yesterday that 1,000 tonnes of frozen fish had just been imported from the Soviet Union

PLO states conditions for Lebanon ceasefire

BY IHSAN HIJAZI IN BEIRUT

THE PALESTINE Liberation Organisation has explained that the ceasefire it has agreed, applies strictly to Southern Lebanon and did not mean the Palestinian guerrillas were abandoning the struggle against Israel altogether or demobilising.

The explanation went to Palestinian fighters in the field, who were at the same time instructed to abide by the ceasefire, according to Palestinian officials.

The directive was included in a circular signed by the leadership headed by Mr. Yasir Arafat.

The PLO's decision to reaffirm its adherence to the truce in southern Lebanon which followed talks here last week between Mr. Arafat and the American civil rights leader Jesse Jackson, apparently caused some confusion in Palestinian ranks and prompted opposition from hardliners and Marxists in the guerrilla mouvement.

The ceasefire is intended to create a better climate for American civil rights leaders to get the U.S. administration to start a dialogue with the PLO. However, western diplomatic sources here have made it clear that President Carter will continue to insist on a clear-cut declaration by the PLO recognising Israeli rights to exist as implied in security council resolution 242 of 1967, something the PLO is not ready to do now.

Informed observers have pointed out the Ceasefire reaffirmation was already part of PLO policy to help relax the situation in Lebanon.

The truce was originally arranged by the United Nations at the beginning of last month, after which Mr. Arafat had a meeting with President Alias Sarkis and agreed to assist in the deployment of Lebanese regular army units

Pope urges 'reduction of military arsenals'

By David Buchan in Washington

THOUSANDS poured on to Washington's Mall yesterday for an open-air mass to be celebrated by Pope John Paul II on the last day of his tumultuous six-city American tour.

The Pope became the first Pontiff to be officially received by a U.S. President, when President Carter welcomed him to the White House on Saturday in a ceremony which Mr. Carter opened with a carefully rehearsed remark in Polish—"Neich bedzie Bog pochwalony—May God be praised."

The Pope's message to the assembled throng on the White House lawn—Cabinet officers, Supreme Court justices, Senate and Congressional leaders and other notables—was, as elsewhere, largely spiritual. But he also gave it a political twist, apparently endorsing the SALT-II treaty which is in trouble in the U.S. Senate.

"Since it is one of the greatest nations on earth," the Pope said, "the U.S. plays a particularly important part in the quest for greater security in the world and for closer international collaboration.

"With all my heart, I hope there will be no relaxing of its efforts both to reduce the risk of a fatal and disastrous world-wide conflagration and to secure a prudent and progressive reduction of the destructive capacity of military arsenals."

President Carter, for his part, stressed the Pope's devotion to the enhancement of human rights throughout the world—a concern which the Carter Administration feels it has made an important priority in U.S. policy, too.

The Pope's presence at the White House was a sign that the long-held notion that U.S. national politicians could not risk publicly courting the Catholic Church too closely has finally been laid to rest.

Fifty years ago, the Catholicism of Mr. Al Smith spelled disaster for him as a Presidential candidate. Thirty years later, John Kennedy played down his catholicism, narrowly to win the Presidency.

New organisation to boost British exports to Africa

BY FRANK GRAY

A TRADE group called the Britain-Africa Trade Organisation (BATO) has been established in Glasgow to promote British exports to Africa.

The main purpose of BATO is to help Britain improve its share of the African export market against such new competing nations as West Germany, Japan "and the encroaching Eastern bloc," Mr. Kofi Asiedu, the organisation's General Director, said at the weekend.

A native of Ghana, Mr. Asiedu said the organisation was set up by some 40 Africans who had studied in Glasgow and who were resident there. It will announce details of the first stage of its Buy British campaign on October 11 at a ceremony, to be launched by Mr. David Hodge, the Lord Provost of Glasgow, and Mr. Teddy Taylor, a BATO patron and former Conservative MP for Cathcart.

At the outset, it will act as an information centre for both British and African export-import interests. It planned to further its trade efforts in the new year through the appointment of promotional representatives in the various African countries. For organisational purposes, it will divide Africa into three regions—north, and northeast, West Africa and east, central and southern Africa.

● Ocean Inchcape has been awarded a £1m three-year service contract to provide marine services for Petrangol of Angola. The contract involves provision of a range of marine, supervisory and maintenance services in support of tanker loading operations at the Quinfuquena terminal on the Congo river. The company is already carrying out similar contracts for the Nigerian National Petroleum Corporation, and for Shell in Nigeria.

SHIPPING REPORT

Weakness shows in many areas

BY WILLIAM HALL

THE RECENT upturn in tanker rates came to a halt last week and brokers report signs of weakness in virtually all the main trading areas.

Shipbrokers, E. A. Gibson, note that in the main loading area of the Gulf there is still a considerable quantity of tonnage (they reckon 14.5m tons) seeking work for the remainder of October. Of this total, very large crude carriers (VLCCs) account for 8.9m tons and ultra large crude carriers (ULCCs) for 2.8m tons.

Early last week an independant charterer covered his requirement for 400,000 tons for Western discharge at Worldscale 40½. After an almost total absence for several months Japanese Charterers have been particularly active. A 265,000 dwt vessel was reported to have obtained worldscale 49 for a trip to Japan.

There was not much business concluded out of Indonesia but a 120,000 tonner was fixed at Worldscale 85 for U.S. West Coast discharge and a smaller cargo of 56,000 tons obtained Worldscale 200 for a similar destination.

The Mediterranean and West African markets were sluggish as was the Caribbean. Typical of the sort of rates being secured in the latter area was Worldscale 230 for a 54,000 tonner for a voyage from East Coast Mexico to the U.S. Gulf.

Given the volatility of the spot market over the last few months many charterers have been seeking the security of period cover notwithstanding the political turmoil and the unpredictability of oil supplies.

Last week was no exception and the market was described by brokers as "extremely active." A 250,000 tonner was chartered for 12 months at a reported rate of $1.50 and a 115,000 tonner for 3 years at $3.925.

In the dry cargo markets one of the main points of interest last week was the resumption of chartering from the Great Lakes following the ending of the 11½ week strike at the ports of Duluth-Superior.

The rate for a mid-October vessel was fixed at $26.65. Even with the strike ended it will be difficult for the grain merchants to move the backlog of grain before the season ends in December and there is likely to be increased demand for tonnage.

Attack on protectionism

ISTANBUL — Industrialised nations are intensifying protectionist measures against manufactured exports from developing countries a week-long conference, organised by the United Nations Industrial Development Organisation (UNIDO), said at the weekend. Reuter

World Economic Indicators

FOREIGN EXCHANGE RESERVES (billions of US$)

	Aug. '79	July '79	June '79	Aug. '78
UK	19,003	19,159	16,891	15,734
U.S.	4,798	4,843	6,049	23
Germany	42,084	43,245	41,481	[illegible]
Italy	18,808	17,619	18,166	19,672
Holland	6,431	6,400	6,260	3,991
Japan	21,131	21,040	20,855	26,596
Belgium	4,435	4,399	4,121	2,149
	July '79	June '79	May '79	July '78
France	14,530	14,031	14,006	7,056

Source: International Monetary Fund

UK NEWS

Lloyd's faces injunction for £10.85m

BY JOHN MOORE

FEDERAL LEASING of the U.S.—the computer-leasing concern which is suing 55 Lloyd's of London underwriting syndicates for $628m (£285m)—is seeking a preliminary injunction for payment of $23.6m (£10.85m) in insurance claims. The action involves disputed computer leasing insurances, and is the largest legal action ever to hit the Lloyd's market.

In a 73-page motion and memorandum for the injunction, together with affidavits and exhibits relating to the computer leasing insurances, Federal's lawyers warn that, unless the company receives immediate payment due under the Lloyd's policies, "it will cease to exist and will lose the ability to prosecute its claims at all."

Federal is seeking recovery of its insurances to discharge its obligations to the banks and other financial groups which staked its leasing operations.

Like many leasing companies, Federal used its Lloyd's computer policy as collateral for loans, often with major U.S. financial institutions. Federal secured $130m of insurances arranged at Lloyd's against loans advanced from banks and institutions to finance its operations. Federal's own net worth stood at $2m in 1977.

The computer leasing policy protected leasing companies against their customers' terminating their leases before the contract date. If they did, the leasing company could claim on its insurances and cover its obligations to its financial backers.

When new IBM models came onto the market rapidly last year, leasing companies found that their customers traded in their existing models earlier than the contract date. So the leasing companies claimed on their insurances.

Computer leasing insurance losses are likely to be the largest that Lloyd's has experienced. Some 14,000 claims have flooded into the market and underwriters have been advised by a working party to reserve $225m for future losses.

Federal is seeking $23.6m to cover its obligations with backers. They are Kirchner Moore and Co.; First National Bank of North East; Barnett Leasing Company; Chemlease World Wide Inc.; Chemical Bank; Wilmington Trust Company; Bank of California; Suburban Trust; Fedleasco; First National Bank of Maryland; Bank of Lincolnwood; Bank of California.

Some of these backers are suing Federal for payment of its obligations; and the Bank of Lincolnwood has obtained a judgment in the U.S. District Court for the northern district of Illinois for $476,621 which it is seeking to collect from Federal.

Lloyd's underwriters have counterclaimed against Federal, alleging that Federal "misrepresented or omitted to advise underwriters of certain material facts in connection with the particular risks involved."

They have argued that certain provisional payments made to Federal by underwriters exceeded the amounts that underwriters should have paid.

Mason doubt on Irish appointment

By Our Dublin Correspondent

MR. ROY MASON, the former Ulster Secretary, has expressed reservations about the appointment of Sir Maurice Oldfield, former head of the Government's Counter Intelligence Services as security co-ordinator in Northern Ireland.

Interviewed on Irish Radio, he expressed fears that the appointment of Sir Maurice, who takes up his post today, could reduce the role of the Secretary of State.

He had been worried that Mr. Humphrey Atkins, the present Secretary of State, might have been losing control of the situation in his first months of office.

In an apparent reference to reported Army discontent about the Ulster situation, Mr. Mason said he had been concerned about "the general sticking his head above the parapet."

Mr. Mason did not see much scope for further under-cover work of the kind to which Sir Maurice's background had accustomed him. The Special Air Services were already operating in every part of Ulster and it was ridiculous to imagine one could have a spy in every village.

Mr. Mason said he was not surprised the Provisional IRA had rejected the Pope's appeal for an end to violence. The IRA's objective was a military takeover in Ulster, after which it would turn its attentions to the Republic of Ireland.

Meanwhile, Irish Ministers are remaining secretive about the security measures agreed at last week's ministerial meeting in London.

But they are not denying reports that the most visible of these measures will be the right of helicopters or aircraft to cross the border for a limited distance in both directions, to keep suspects under observation.

Supply problems hit sales of Ford Fiesta

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE FIESTA, Ford's successful small car, dropped out of the top 10 best-sellers in Britain during September, giving a stark illustration of the group's difficulty in matching supply with demand.

The group also lost sales because its "facelifted" Cortina was not launched until mid-September. But the group managed to capture a 23.15 per cent share to retain market leadership.

As expected, September new car sales were well down on the same month last year. Society of Motor Manufacturers and Traders' statistics released today show registrations in September at 109,875, or 17.2 per cent down on September last year.

Imported cars took 55.7 per cent of the total compared with 50.7 per cent in September last year.

For the first nine months of this year registrations were 7.2 per cent up at 1.408m. And the society forecasts that this year's car sales will reach a record 1.67m, topping the peak of 1.66m in 1973.

This year has been remarkably unbalanced because, if the forecast proves correct, 62 per cent of sales will have been made in the first half compared with the usual 54 per cent. The forecast implies a 5 per cent drop in registrations in the final quarter even though that period in last year was adversely affected by the nine-week Ford strike.

In the first nine months imports accounted for 55.8 per cent of the total against 48.6 per cent last year.

There has been a Europe-wide shortage of Fiestas since the Iranian revolution shifted demand towards small cars. Supply problems have been aggravated by industrial disputes at the Valencia plant in Spain and, ironically, by the decision to cut output of Fiestas at Dagenham in the UK so as to reduce the long waiting list for the more-profitable Cortinas. Ford says it has been unable to attract enough people for a second shift at the plant.

As a result, stocks of Fiestas among Ford's 1,240 dealers half way through September represented fewer than one for each outlet, about half the planned level and lower than at any time since the dispute last year.

UK customers have to wait on average four months for a Fiesta, about the same as for a Cortina.

Ford will ease the Fiesta supply problem by introducing capacity for a further 50,000 a year at the Cologne plant in West Germany, where they will replace a similar number of Granadas. But this change has still to be made and Ford does not expect it to alleviate the difficulties completely.

Although the launch of the new Cortina was delayed until September 13, the model took top place in the UK top 10 as usual in the month with 8,669 registrations. Others in the list were: Ford Escort, 7,889; Austin Morris Mini, 6,645; Morris Marina, 4,481; Austin Allegro, 4,093; Vauxhall Cavalier, 3,582; Vauxhall Chevette, 3,473; Ford Capri, 3,486; Ford Granada, 3,189 and Austin Morris Princess, 2,470.

Ford remained the top importer in September and 49.68 per cent of its registered cars were assembled outside the UK. Over the nine-month period 191,685 imported Ford's were sold, representing 49.4 per cent of its total registrations.

Because of the imbalance of the market this year with such a big proportion of sales in the first half—and because of the determined efforts by some traditional importers to build up their distribution networks and sales, some concerns have sold more cars in the first nine months of this year than in the whole of last year—BMW, Peugeot, Renault and Volvo among them. The share of the market taken by EEC countries other than Britain has improved from 32.26 per cent (423,976) to 38.09 per cent (536,503) over the nine months.

U.K. CAR REGISTRATIONS

	September 1979	%	September 1978	%	Nine months ended September 1979	%	Nine months ended September 1978	%
Total UK produced	48,642	44.27	65,415	49.27	622,749	44.21	675,393	51.38
Total imported†	61,223	55.73	67,356	50.73	785,943	55.79	638,999	48.62
Total market	109,875	100.00	132,771	100.00	1,408,692	100.00	1,314,392	100.00
Ford*	25,440	23.15	36,419	27.43	387,866	27.53	354,475	26.97
BL*	24,492	22.29	30,578	23.03	286,316	20.32	298,947	22.74
PSA—Chrysler*	7,326	6.67	8,359	6.30	101,928	7.24	86,499	6.58
Citroen	2,414	2.20	2,412	1.82	27,738	1.97	25,148	1.91
Peugeot	2,550	2.32	2,457	1.86	31,621	2.24	24,417	1.86
Total PSA	12,290	11.19	13,408	9.98	161,287	11.45	136,064	10.35
General Motors—Vauxhall*	8,410	7.65	8,427	6.34	93,816	6.66	105,016	7.99
Opel	1,814	1.65	1,856	1.40	22,669	1.60	17,093	1.30
Other GM	124		75		1,006		709	
Total GM	10,378	9.42	10,358	7.80	117,491	8.34	122,818	9.34
Datsun	6,500	5.92	8,986	6.77	80,740	5.73	85,610	4.51
Renault	5,045	4.59	4,841	3.65	73,770	5.24	55,393	4.21
Fiat	5,402	4.92	7,309	5.50	59,693	4.24	58,578	4.46
VW/Audi	5,129	4.67	5,650	4.26	61,794	4.39	50,740	3.86

* Includes cars from companies' Continental associates which are not in the total UK figures.
† Includes imports from all sources, including cars from Continental associates of UK companies.

Source: Society of Motor Manufacturers and Traders

British worker pays more tax

BY DAVID FREUD

THE AVERAGE British production worker still pays much more income tax than equivalent workers in West Germany and France, in spite of the switch from direct to indirect tax in the Budget.

A written Parliamentary answer by Sir Geoffrey Howe, the Chancellor, states that the average production worker in the UK with two children aged under 11 now pays 18.2 per cent of his £4,940 annual wages in income tax.

This compares with a rate of 20.2 per cent before the June Budget, which raised allowances and reduced the standard rate of income tax from 33 per cent to 30 per cent.

However, the average West German production worker, earning £7,450 in sterling terms, pays only £805 in income tax, 10.8 per cent of his earnings.

The average French production worker pays even less. His income tax demand on earnings of £5,040 is £70—equivalent to 1.4 per cent.

Economic group seeks law reforms

CONSTITUTIONAL CHANGES and other reforms are among a series of measures called for in an Institute of Economic Affairs booklet so as to reduce the size and influence of government.

In the booklet, entitled "The Taming of Government,"* six economists conclude that government economic policy cannot be left to the politicians and bureaucrats. One of their demands is a reduced role for the Treasury.

Professor Stephen Littlechild argues that the massive growth of government in post-war years "has self-evidently not solved Britain's problems, but rather exacerbated them." He believes it is necessary to design a constitution to protect government against special interests.

The same point is made by Professor Charles K. Rowley.

* *The Taming of Government, IEA Readings 21. £3.*

HEART OF POLYESTER ARE OUR SHIPS...

Does it seem far-fetched that the great navies and merchant fleets of the world will one day be moulded in plastics?

Yet parts of them are today. Smaller craft, it's true, such as minehunters, work boats and submersibles. Yet there they are, hulls and superstructures sailing the seas, rivers and harbours of the world, moulded with the help of Cellobond polyester resins, specially developed by BP Chemicals. Next—a through-deck cruiser like this in plastics? What seems incredible today may be only just over the horizon.

BP Chemicals are always working at the frontiers of technology, researching new applications for our products and making them work. If the admiralties of the world decided to move from steel to reinforced plastics, many of the hulls launched would be built with the help of BP Chemicals.

BP Chemicals are one of the founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply. This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

BP chemicals-making it all happen

Scottish agency's U.S. move

By Ray Perman, Scottish Correspondent

THE SCOTTISH Development Agency formally opens its first U.S. office today, intensifying its drive to attract American investment to Scotland.

The two-man bureau, in the prestigious Avon Building in New York, will be followed next month by a second office in San Francisco.

The agency is planning a rapid expansion of its promotion of Scotland abroad. A permanent representative has already been recruited in Brussels, and Fides, a consultancy within the Credit Suisse group, is advising it on promotion in Geneva and Tokyo.

The expansion has caused some embarrassment in Government departments, since the consular service, which has official responsibility for attracting companies to invest in Britain, is having to trim its activities because of the squeeze on public spending.

The New York office was to have been opened by Mr. Alex Fletcher, Scottish Office industry minister, who is in the U.S. visiting companies. But this arrangement was changed, and the ceremony will instead be performed by Sir William Gray, agency chairman.

But Mr. Fletcher will tomorrow address New York businessmen at a seminar on Scotland organised by the agency as the first event in a tour of five U.S. cities.

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Tough line urged on Callaghan

BY OUR LOBBY STAFF

RIGHT-WINGERS in Mr. Callaghan's Shadow Cabinet are expected to urge him to threaten not to co-operate with the inquiry into party organisation unless MPs are guaranteed special representation on the committee.

The suggestion is likely to be made at a meeting of the Parliamentary Committee tomorrow, called to consider strategy inthe light of the defeat inflicted on Mr. Callaghan's authority at last week's party conference.

The meeting is one of a number in the next two weeks at which jockeying will begin for seats on the committee to be set up to examine all aspects of party organisation, which ultimately could have a profund effect on the shape of the Labour Party.

Mr. Callaghan was originally one of the strongest proponents of the idea of such an inquiry, but moderates increasingly query whether he was right in this attitude.

They fear that the Left will inevitably dominate the committee.

The decision on composition will not be made until October 24, when the National Eecutive meets again.

At the weekend Left and Right began to take up negotiating positions.

The Left-wing Labour Co-ordinating Committee, usually associatted with supporters of Mr. Anthony Wedgwood Benn, will consider on Thursday whether to counter demands that MPs should have special seats on the committee with one for special representation for constituency parties.

The idea that the Shadow Cabinet disociate itself altogether from the inquiry if it does not get the seats it wants may well be opposed by the majority of Mr. Calaghan's Shadow team on the grounds that the inquiry will go ahead anyway, and that it would be ridiculous not to make the most of any opportunity to influence its thinking.

But it is indicative of the militatn posture which some Right-wingers believe must adopt if the Left is not to seize control of the party.

This year, they say, Mr. Callaghan left it too late to take on the extremists, and the same mistake must not be made again. They thing the Parliamentary party must be represented on the committee by at least the party Leader and his deputy, with the Parliamentary party chairman and the Chief Whip.

Since the big unions have indicated that they will not support equal representation for MPs, some moderates believe they will have a chance of getting what they want only if Mr. Callaghan threatens not to co-operate otherwise.

There is general agreement that next year's party conference may prove even more important than this. Signs are that the challenge to the Parliamentary leadership's authority will continue.

More Home News On Page 22

Thatcher's hands will stay untied

IN SHARP contrast to the internecine strife at the Labour Party's annual conference last week, Conservative "representatives" are set to assemble at Blackpool tomorrow in record numbers, unworried by the fact that they are in no position to tie the hands of Mrs. Margaret Thatcher.

There have been some concessions to the democratic principle since the time when Arthur Balfour scornfully proclaimed that he preferred the opinion of his valet to that of a Conservative conference, but decisions reached at these annual seaside gatherings are not binding on the party leadership, and the fact has never been seriously challenged.

But the party leader no longer stands aloof while the conference is in progress—Sir Winston Churchill once attended a race meeting while the rank and file debated a series of important policy issues—and the motions published in the conference agenda have ceased to be couched in the sugary sycophancy of a mutual admiration society.

Nor can it be denied that Tory leaders' undertakings that conference decisions are taken into account when policy is framed have their value. The 300,000 a year housing target adopted by the 1950 Blackpool conference remains the best example of grass roots opinion holding sway over the platform's safer figure of 200,000.

Mr. Edward Heath was the first Conservative leader to attend conference sessions and show a lively interest in the speeches. His predecessors never took any part in the proceedings. Their direct contact with the representatives was largely restricted to the occasions when they left the principal suite in the headquarters hotel to make fleeting appearances at the social functions which are a traditional part of the conference scene.

Daily reports from those responsible for controlling the party machine kept the leader informed about the outcome of debates and his only platform appearance was reserved for a major speech at the post-conference rally.

The more critical nature of the motions submitted by the constituency parties is the most significant indicator of the way things have changed since the days when displays of Olympian detachment by Balfour or Churchill were meekly accepted.

Any member of the Conservative Party can seek to have a motion debated at the annual conference, but it has to be endorsed by a constituency party before it is included in the Conference handbook, which also includes the agenda. Arrangements for the conference are the responsibility of the National Union of Conservative and Unionist Associations. The mandarins in Smith Square like to emphasise that this is the voluntary wing of the party, but its top echelon is adept at the skills of political stage management.

No straying

The occasional protest from the floor about the handling of particular debates—like that at Brighton last year, when Mr. Julian Amery was not called to speak on Rhodesia—helps to demonstrate that the representatives are not completely hogtied.

The platform has even been known to make concessions to the floor by allowing unscheduled amendments to be debated, but a combination of firmness and tact from the chair usually ensures that the conference does not stray from its pre-determined course.

By July 18, the closing date, the constituency parties had submitted 803 motions for this year's conference. These were sifted and categorised by a Conference Agenda Sub-Comittee, whose members include representatives of the Parliamentary leadership, backbench MPs and a small team of advisers from Conservative Central Office. Final decisions about the 17 motions chosen for the agenda were taken at a meeting of the 60 strong General Purposes Committee of the National Union in the middle of August.

One additional motion from those submitted by the constituency parties will be selected for debate by the representatives themselves. The choice is made through a ballot, and the result will be announced on the first day of the conference. Amendments to the motions already printed in the agenda can be submitted up to October 2.

Speeches from the floor are subject to a time limit—six minutes for proposers and four minutes for others—and voting is usually by a show of hands.

A total of 6,908 representatives is entitled to attend this year's conference. This includes a maximum of eight from each constituency party, Peers and MPs, including, for the first time, the 60 Conservative members of the European Parliament.

Not for the first time, Rhodesia looms as a threat to the calm as the party managers strive to ensure that nothing mars Mrs. Thatcher's first appearance at a Conservative conference as Prime Minister. She seems assured of a rapturous reception, even if some dangerous cross currents may be lurking beneath the waves of adulation.

Cuts in tourism likely

FINANCIAL TIMES REPORTER

FINANCIAL AID to the tourist trade is expected to be reduced as part of the cost-cutting exercise by the Government.

The Trade Department said yesterday that the annual £22m budget allocated to tourism was being examined for possible savings. The Department had no intention of withdrawing support totally.

There is a combined annual allocation of £18m to the English Tourist Board and the British Tourist Authority, most used for marketing and promotion. About £4m is special assistance grants for tourist schemes in development areas.

It seems likely that cuts would be spread broadly rather than falling on any one area.

There has apparently been Ministerial concern that the Government has funded projects which the tourist trade would have undertaken in any case.

Law advisory appointment

Major General J. G. R. Allen has been appointed from October 11 to the Lord Chancellor's Advisory Committee on Legal Aid.

He will examine written allegations from the public about the Law Society's handling of complaints against solicitors.

Co-op seeks to unite its bodies

By David Churchill, Consumer Affairs Correspondent

TOP LEVEL meetings are to be held between the three key organisations in the co-operative movement to discuss in retail the proposal for a single national trading organisation.

Both the Co-operative Wholesale Society and the Co-operative Retail Services have agreed to meet the Co-operative Union shortly to talk about the proposal. A special meeting of the central executive of the Co-operative Union will be held at the end of October to consider the results of the talks.

The proposal to form a national trading organisation — called "Co-Op Great Birtain" —was made at the Co-operative Congress, the movement's "parliament," in May by Mr. Howard Perrow, president of the Co-operative Union. The union acts as a central co-ordinating body for the British co-operative movement.

Mr. Perrow suggested that the 201 individual retail societies as well as the CWS should come together in response to the fierce competition in the High Street. He suggested that this competition was "more severe than at any other time in the movement's history."

Under Mr. Perrow's plan, the CWS would merge with the large retail societies and especially the CRS, which operates 21 branches with a turnover of over £400m. Other retail societies, who traditionally are very jealous of their independence, would eventually be forced to join by competitive market pressures.

The Co-op's share of total retail trade fell from 7 per cent in 1977 to 6.8 per cent last year.

Following the qualified endorsement in July of Mr. Perrow's plan by the Co-op Union's central executive, the CWS, CRS and other retail societies were asked if they wanted to discuss the proposal further. Both the CWS and CRS have now agreed to hold talks although without any prior commitment.

Tax chief demands bank's client details

FINANCIAL TIMES REPORTER

THE JERSEY subsidiary of the Hong Kong and Shanghai Banking Corporation is refusing to give details about certain of its customers to Mr. Geoff Hammond, Jersey's Comptroller of Income Tax. The bank believes that the Jersey authorities intend to pass the information on to the British Inland Revenue.

Mr. Hammond has given the bank until October 14 to provide the names and addresses of its customers, but the bank believes that the Comptroller does not have the power to make such a demand and is asking the Royal Court of Jersey to settle the dispute—thought to be the first of its kind.

Whatever decision the Royal Court may make could have widespread ramifications.

Mr. Hammond first requested the information in May when he wrote to the bank asking for the names and addresses of the beneficial owners of nine accounts owning War Loan and other gilts. The bank wrote back asking Mr. Hammond to indicate under which statutory authority he was making the request. It said it did not wish to be unhelpful but pointed out that it would be in breach of the implied term of confidentiality in contracts with customers if it disclosed information which it was not legally compelled to.

Mr. Hammond informed the bank that the information was being requested under the Income Tax (Jersey) law, 1961, and after further correspondence the bank gave the Comptroller the names and addresses of those clients resident in Jersey.

However, the bank still refused to release details of the remaining accounts which are beneficially owned by persons non-resident in Jersey for income tax purposes.

In its Order of Justice presented to Jersey's Royal Court on Friday afternoon, the bank states that it believes Mr. Hammond is requesting the information not for his own use but to pass on to the Inland Revenue to comply with a request made under the terms of the Double Taxation Agreement that exists between Jersey and Britain.

The bank say that this treaty does not empower Mr. Hammond to obtain information requested by the Inland Revenue for the purposes of administering their laws, but which he does not himself require for administering the Jersey income tax law.

The bank has brought the matter to court because on September 14 it was given 30 days by Mr. Hammond to provide the information. It is asking that pleadings be filed. The case has now been put off for four weeks when the Royal Court will be asked to decide whether or not the information should be released.

Drop in architectural work likely, says RIBA inquiry

BY MICHAEL CASSELL

THE recently improving level of new work for UK architects is unlikely to be maintained, according to the latest quarterly inquiry conducted by the Royal Institute of British Architects.

RIBA says that the value of new commissions received by private architectural practices during the second quarter of 1979 showed a 5.9 per cent rise on the previous three months. But it points out that the increase was more modest than in the first quarter of 1979 and that, given economic prospects and the proposed cuts in public expenditure, present work levels could not be expected to be maintained.

The value of new work in the second quarter stood at £1.71bn, showing a constant (1975) price increase of only 1.2 per cent over the preceding three months. Most types of construction projects showed increases in design work—public sector, non-housing schemes being the exception—with the Midlands, south-east and London proving the most buoyant regions for new commissions.

The value of work entering the production drawings stage in the second quarter rose by 13.4 per cent to £1.49bn.

Employment figures for the profession also reflected the increase in work. There was an increase in the number of salaried architects employed over the second quarter and a more marked increase in posts for unqualified architectural staff.

Government looks at Newcastle heating request

By Maurice Samuelson

THE GOVERNMENT is studying a request by Newcastle-upon-Tyne to be considered as a site for the UKs first large-scale district heat and power scheme, which may set the pattern for energy conservation.

Central heating and hot water would be fed to homes in the city from a combined heat and power (CHP) station. CHP is a way of harnessing the waste heat currently lost in power stations.

The Government has not yet decided its position on CHP, and may not do so until next year. But the Energy Department has discounted a suggestion that the Government has already decided against supporting it.

Newcastles proposal follows the recommendation by a team, led by Dr. Walter Marshall, deputy chairman of the Atomic Energy Authority, that the Government should carry out studies of one or more major city schemes as soon as practicable.

According to the Marshall report, district heating, combined with CHP, could support about 30 per cent of the existing high density heat load in the UK once oil and natural gas were no longer available for heating.

Newcastle has several reasons for wanting to be the subject of a pilot study. It is already committed to district heating, having just opened a scheme which heats almost 3,000 homes by burning rubbish. It has about 20,000 homes with sub-standard heating, and a large pipe laying programme would help to relieve unemployment.

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Farmers may split CBI conference

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

AN ATTACK on the Government's attitude to the level of the pound will be spearheaded by the National Farmers' Union during the opening session of the Confederation of British Industry's annual conference early next month.

A strongly worded resolution submitted by the NFU will spark what could turn out to be a controversial debate, splitting the conference between those who have been hit by the high level of sterling and those who believe that the Government should be given full backing by industrialists.

The Government will also be urged in other debates to prepare specific measures to help small firms and to reintroduce the former Industrial Relations Act's legal enforcibility of labour agreements.

Resolutions covering these points are among a total of 14 selected for debate by the CBI's council and published last night.

There has been considerable debate within the CBI in recent weeks about the high level of sterling.

This will be sharpened by the NFU which says that it is "greatly concerned that the combination of high interest rates, an over-strong pound, and the consequent increasing degree of import penetration is seriously weakening both the current competitiveness and the future viability of much of British industry."

Realistic

Its resolution calls on the Government to "create conditions based on a realistic exchange rate which enabled the competitiveness of export and import-saving industries to be improved, and their full benefit to the national economy to be achieved."

The critical tone of the resolution is tempered only by a broad welcome for "many of the measures which the Government has so far taken to help British industry."

Although resolutions carried at the conference do not automatically become CBI policy, the organisation's leaders would not be able to stay silent on the issue if the NFU's stance receives substantial support.

It remains to be seen, however, whether the debate will be muted, to some extent, out of loyalty to the Government. In addition, this will only be the CBI's third annual conference and some industrialists may still be shy of speaking out at such events.

The debate on labour agreements will be moved by the CBI's West Midlands regional council which wants to change the balance of power in industry by making all collective agreements legally enforcible.

Persuaded

This is not part of the CBI's policy, partly because most employers were persuaded by their unions to sign voluntary deals when the Industrial Relations Act provided for legal enforcibility between 1971 and 1974.

Other labour issues covered by the debates will include the CBI's proposed strike insurance plans and the law on closed shops.

The Government's regional policy will come in for some criticism, and there will also be a move to mobilise CBI opinion in favour of the development of nuclear power generation.

The conference takes place in Birmingham town hall on November 5 and 6 and is to be attended by more than 1,200 representatives of CBI member companies.

HQ lease for sale at £4m

THE CONFEDERATION of British Industry's London headquarters has been put on the market with a price tag of £4m for a 125-year lease, plus a minimum annual rent of £150,000, writes **John Elliott**.

This follows the CBI decision to move from its headquarters in Tothill Street, Westminster, to Centre Point, the controversial office block at the junction of Tottenham Court Road and Oxford Street.

The move is planned for next summer, when the CBI will have spent almost as much on modernising Centre Point as it is asking for the lease on Tothill Street.

The CBI owns the freehold on the Tothill Street building. The sale of the lease, which is being handled by Jones Lang Wootton, will be by tender, with a closing date of January 9, 1980.

Pay rises 'boosted earnings by 14%'

SPECIAL PAY rises awarded by employers during the last pay round to top up earlier settlements have helped boost the total increase in earnings for the round to 14 to 16 per cent, writes **John Elliott**.

This is forecast today by the Confederation of British Industry's pay data bank. Its figures are broadly in line with Department of Employment statistics which have shown that earnings rose at an underlying rate of 15 to 15½ per cent in the pay round to July.

"A tendency for settlements to be higher at the end of the round than at the beginning encouraged some employers who settled early to top up their pay awards," says the CBI in its Members Bulletin, published today.

"From the comments of members, it appears this topping up has been fairly widespread."

Negotiations

The CBI also says that productivity agreements, which were expected to add 5 per cent to earnings, were considerably more widespread at the beginning than at the end of the round. This was because they were seen as a means of paying more than the 5 per cent limit with which the then Labour Government launched the year's pay negotiations.

In its report which was prepared before last Thursday's engineering industry pay and working hours agreement, the CBI also says: "In spite of the number of claims which included demands for a shorter working week, there was relatively little evidence of shop-floor pressure to reduce working hours."

The weighted average of all private company settlements notified to the CBI during the round was 11.5 per cent. It was told of 1,518 settlements covering 10.3m employees. Private sector national agreements averaged 11.8 per cent while wage council settlements averaged 19.3 per cent.

Bid to end television black-out

A PLAN which union officials hope can solve the eight-week-old ITV dispute, is to be presented to management today. Mr. Alan Sapper, general secretary of the Association of Cinematograph, Television and Allied Technicians, said last week that he had a plan to put forward at todays talks with the companies.

The three unions involved met last week to consider the overwhelming rejection by their members of the latest management offer, said to be worth 39 per cent over two years.

The companies will be formally told of the rejection before Mr. Sapper puts forward his plan.

Mr. Sapper said: "I believe it meets some of their concerns, and it is a formula which they can well afford to pay."

Differentials pledge sought in Times talks today

BY ALAN PIKE, LABOUR CORRESPONDENT

NATIONAL GRAPHICAL Association officials will seek assurances today from Times Newspapers management that their members' traditional pay differentials will not be reduced as a result of agreements with other employees.

Much may depend upon the outcome of this meeting. It will be followed later in the day by talks between Times Newspapers management and representatives of the International Thomson Organisation, its parent company, to review the state of the long and difficult negotiations to republish the suspended Times titles.

Times Newspapers has said that time is rapidly running out if permanent closure of the publications, suspended for more than 10 months, is to be avoided. Another extended series of negotiations with the NGA is unlikely to prove acceptable to the management.

At a meeting with Mr. Les Dixon, the NGA president, on Saturday the union's 620 Times Newspapers members overwhelmingly adopted a resolution that "negotiations for new parity agreements shall commence immediately in accordance with the return-to-work formula."

The management will be anxious to establish precisely what the resolution means. NGA members accepted return-to-work proposals last month and at that stage intended to negotiate full new operating agreements, bringing higher rates of pay, after resumption of publication.

Last week, however, an agreement was reached between Times Newspaper and the Sunday Times Machine Chapel of the National Society of Operative Printers, Graphical and Media Personnel, which Mr. Reg Brady, the NATSOPA group's leader, said would create the highest-paid machine-room chapel in Fleet Street.

This has made the higher-paid NGA machine-minders worried about their differentials.

Times Newspapers is concerned that if the NGA wants negotiations on new operating agreements immediately, these talks may not be completed before the planned resumption of publication, likely to be next month if other outstanding issues are resolved. This would provoke a fresh crisis on the eve of republication.

It is possible that the NGA will settle for something short of complete new agreements at this stage. But Mr. Dixon said yesterday: "We have to get a general understanding. If we can't come to a general understanding we may as well wrap everything up now."

Mr. Dixon and Mr. Joe Wade, NGA general secretary, will be at an international conference in Sweden today, but Mr. Dixon is ready to return to London at short notice if necessary.

Apart from the NGA problem Times Newespapers' most difficult unresolved negotiations are with the Sunday Times NATSOPA clerical chapel. These resume today in an atmosphere of reasonable optimism.

Vital union decision on BL this week

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

UNION LEADERS must decide this week whether to resist company plans to make 25,000 workers redundant.

The executive of the Confederation of Shipbuilding and Engineering Unions pulled back from confrontation on Friday. It issued a joint statement with the management about the need to make the company "commercially competitive," a statement which Sir Michael Edwardes, the BL chairman, said gave him the "amber light" to press ahead with his strategy.

Mr. Todd Sullivan, secretary of the emergency committee set up by the confederation to deal with the BL crisis, said last night: "The fight will go on."

A mass demonstration of BL workers would be held in London tomorrow, at which shop stewards would be urged to persuade workers not to accept redundancy terms, but to resist plant closures and the transfer of work.

"Our first task is to make the men on the shop floor realise that the golden handshake of redundancy will not last, and that there are no alternative jobs available outside BL."

Mr. Sullivan is national officer for the white-collar section of the TGWU, which has pledged official support for workers who fight the rationalisation moves.

The full executive of the confederation meets on Thursday to decide whether to back such outright opposition.

In the joint statement on Friday the confederation merely said that the proposed redundancies and plant closures caused unions and work force "grave concern."

Some union leaders undoubtedly fear that official support for the resistance could provoke a crisis leading to a more rapid run-down.

Hygena tells workers 295 must lose jobs

HYGENA, THE kitchen furniture manufacturer, is to cut the workforce at its factory on the Kirkby industrial estate on North Merseyside by a third because of falling business.

A total of 295 voluntary redundancies are being sought from among the 900 employees. They will include administrative staff as well as shop floor workers.

Shop stewards at the Kirkby factory, which employed 2,000 three years ago said this weekend they would fight the decision which had come "like a bolt from the blue" without prior consultation.

A spokesman for the company, which plans to phase the cuts in two stages—next month and in March—said talks would be held with the unions before any moves were made.

London traffic may grind to a halt, says engineer

LONDON'S TRAFFIC could come to a complete standstill unless action is taken now to combat the increasing problem of congestion in the city's centre, according to Mr. Alan Cryer, Westminster's city engineer.

Mr. Cryer will deliver this warning to an open forum, sponsored by Westminster City Council, at Caxton Hall on October 15.

The forum, which is being organised with the co-operation of the Greater London Council, the police and London Transport, will attempt to shape an overall strategy to suit the needs of London in the 1980s.

Mr. Cryer will discuss the problem of illegal parking in central London, linked with a decrease in police resources to deal with it. He believes enforcement is vital to traffic movement in central London. This is why the City of Westminster wants to employ more traffic wardens than the number allocated by the Home Office.

Lords reform call

IN A PAMPHLET just published by the Conservative political centre, Mr. Paul Johnson calls for the reform and strengthening of the House of Lords. Otherwise, he writes, it may be abolished in line with the Labour Party's election manifesto. Mr. Johnson writes that this may be the last chance to secure an authoritative second chamber and curb the "false notion" of the sovereignty of the Commons.

Shelton project

EXPERTS INVESTIGATING the redevelopment of the British Steel Shelton steelworks site at Stoke-on-Trent say almost 2,000 jobs could be provided if a scheme to develop the area for medium and light industry is approved. British Steel has also announced that a further area of land at Shelton is to be made available.

Transport awards

MR. ALISTAIR PUGH, managing director of British Caledonian Airways, and Mr. G. Hill, managing director of Rowntree Mackintosh Distribution, are to receive awards from the Chartered Institute of Transport in London this evening.

Assembly booster

A £32m computerised assembly-line project at Leyland Vehicles, Lancashire, which will enable the production of heavy trucks and buses to be more than doubled, has been completed.

Carriers' project

NATIONAL CARRIERS, which is part of the state-owned National Freight Corporation, is to spend £400,000 on its first automated parcels handling system, in Birmingham. It is setting up 19 more distribution centres.

Tunnel plan

BRITISH RAIL proposes to build a second tunnel next to one at the Tunbridge Wells central station, Kent, so that standard rolling stock can run on the main line to Hastings.

Five tunnels between Tonbridge and Hastings are too narrow for coaches of normal width, and as light rolling stock built in 1957 are wearing out, BR hopes to solve the problem within a year.

NUT opposes Bromley reorganisation

By Michael Dixon

THE NATIONAL Union of Teachers is trying to stop the Bromley local education authority from proceeding with secret reorganisation plans, due for discussion by its secondary schools subcommittee today.

The NUT suspects that the authority intends to weaken the outer London borough's comprehensive schools by adding to the five grammar schools still existing in the area.

Because teachers have not been consulted about the plans, the union has declared a collective dispute with the Bromley authority.

Unless the council breaks the national agreement on the conduct of collective disputes, the NUT says that its declaration means that the plans are "frozen" until the dispute is resolved.

GEC strikers to meet

SHOP STEWARDS at the GEC English Electric domestic appliances factory in Liverpool have called a mass meeting tomorrow of the 1,500 workers who have been on strike for 15 weeks over a pay claim.

The employees had mandated their union leaders to demand a 15 per cent increase before they would consider a return to work. Following negotiations last week, the company has raised its offer from 9 per cent to 11.5 per cent. After such a prolonged stoppage, the stewards are anxious to test the feelings of the workforce.

LOMBARD

The urgency of a monetary plan

BY SAMUEL BRITTAN

THE FIASCO of the Engineering Employers' defeat underlines the urgency of a medium term monetary plan as the only hope of preventing both inflation and unemployment from getting out of hand. The issue can be postponed no longer. Monetary targets, the Public Expenditure White Paper and the choice of a new Chief Economic Adviser (who ought in my view to be Prof. Terry Burns) are all coming to a head.

Yet a new argument has been found by the obstructionists. This is, as Peter Riddell reported from Belgrade last Wednesday, that medium term targets should be "sustainable over a period and not have to be adjusted." Thus the very understandable scepticism of ministers against official numerical projections is being cunningly twisted into an argument against the centrepiece of any monetarist strategy worth the name.

The objection misses the point. Monetary targets should be not forecasts but statements of Government intention. If unforeseen changes occur, adjustments to other elements such as public spending, taxation and interest rates would have to be made to ensure that these targets are kept.

Overliteral

The chief weapon of the anti-monetarists is now overliteralness. The case for a medium-term plan does not depend on there being exact fulfilment of the figures for later years. What would one think of a major company that refused to formulate objectives for more than 12 months because later plans might have to be revised?

The point of a monetary plan is to indicate for all to see that monetary growth will be on a declining path. Attempts by the banking system to get round the official definitions might actually call for lower targets; and any worthwhile plan would have to contain a strong preamble saying that the spirit as well as the letter would be observed and that a large variety of monetary indicators, apart from the usual "M3" would be monitored.

Paradoxically enough the crucial argument for a medium term approach is the very one raised by the anti-monetarists: how do we prevent monetary restriction from squeezing output rather than inflation? One year monetary targets of the Healey hand-to-mouth kind indeed risk landing us with the worst of all worlds. As they do not stretch nearly far enough ahead to lower people's inflationary expectations, the main effect is all too likely to be on output and employment.

Borrowing

If the money supply is to grow at a relatively non-inflationary rate in four years' time, public sector borrowing will have to fall to a very modest proportion of the national product—Professor Patrick Minford in a fascinating paper (in The Taming of Government, published today by the Institute of Economic Affairs) makes a case for zero.

If there were a medium term plan for declining monetary growth and a declining PSBR proportion, it would not matter so much whether the PSBR proportion were reduced on an actual or cyclically adjusted basis. A temporary rise in the PSBR in a recession would have less inflationary effect in the context of declining monetary growth, and of medium term spending and tax plans geared to reduce borrowing in a normal year. If on the other hand the PSBR is reduced on an actual rather than constant employment basis, the restrictive effect on output would be less

Another line of attack is to ask what effect a monetary plan will have on the inflationary expectations of shop floor leaders. This is a very *simpliste* approach. Wage demands, and still less actual earnings, are not drawn like numbers out of a hat. Fifteen years ago a wage settlement of 9 per cent seemed as outrageous and provocative as one of 25 per cent today: and the jump has much more to do with the intervening monetary explosion than any increase in militancy.

Monetary policy cannot be expected to take away any power that strong arm groups have to depress the relative pay of their weaker brethren or force them on to the dole. But it is absurd of the anti-monetarists to assume that strong-arm groups are also stupid and can be tricked by monetary expansion or inflation into accepting lower real settlements than under the framework of a monetary plan.

The greatest absurdity of all would be for Mrs. Thatcher to pass over potential chief economic advisers of a free market anti-incomes policy approach in favour of an establishment candidate who had never irritated her because he had kept a discreet silence on controversial matters. Finally no worthwhile appointment will avoid ruffling the feathers of the economic forecasters: and it is incredible that one hears this mentioned as a factor in the choice

Royal Commission: expensive and ineffective

THE WEEK IN THE COURTS

BY JUSTINIAN

ALL ROYAL Commissions are unnecessary, but some Royal Commissions are more unnecessary than others. The estimated total expenditure of the Royal Commission of Legal Services is £1,245,606; and estimates are not always the most accurate indication of actual expenditure.

The function of the commission was "to inquire into the law and practice relating to the provision of legal services in England, Wales and Northern Ireland, and to consider whether any, and if so what, changes are desirable in the public interest in the structure, organisation, training, regulation of and entry to the legal profession, including the arrangements for determining its remuneration, whether from private sources or public funds, and in the rules which prevent persons who are neither barristers nor solicitors from undertaking conveyancing and other legal business on behalf of other persons": a daunting description of a daunting task.

Was this inquiry really necessary? Does the commission's report serve any useful purpose? Could some other person or organisation have performed more efficiently or expeditiously all or any of the work which the commission undertook or should have undertaken?

The report consists of two volumes, each volume being published in two separate parts neither of which is sold separately. The first volume, whose two parts contain the commission's final report, costs £12; the second volume, whose two parts consist of surveys and studies costs £11.

If legal services are a legitimate matter for public concern, this is an effective way of ensuring that the majority of the public will be deterred from considering and assessing the work of the commission. The average man of average means will have to be content with a small 23-page summary costing £1: at almost 5p a page, hardly a bargain.

The commission's conclusions and recommendations number approximately 370. These include the following ten original, startling pronouncements worthy of its estimated total expenditure: (1) "the demand for the services of lawyers will grow; the profession should plan accordingly;" (2) "the legal profession should wherever possible take measures to remove the causes of its indifferent public image;" (3) "the legal profession should continue to be organised in two branches, barrister and solicitors;" (4) "a person buying or selling a house should continue to be entitled to act for himself;" (5) "in general, the legal profession provides an adequate standard of service, but there are shortcomings;" (6) "all lawyers should be instructed in the importance of establishing a sound professional relationship with the client;" (7) "a sustained effort is required to reduce the length of all legal proceedings;" (8) "prolixity in court should be discouraged by the judiciary, the taxing authorities and the profession;" (9) "the possibility of establishing a crèche in or near the Inns 'of Court' should be further explored;" (10) "the earnings of young barristers are low."

A careful look at the text of the report reveals a more disturbing picture. At the end of chapter 2, we are informed that "at present there are too many people whose rights, for want of legal advice and assistance, go by default." The summary of conclusions and recommendations fails to mention this.

But is it a matter of no or little significance? Which sections of the community form this unfortunate multitude? What is the nature of the rights which "go by default?" What is the effect of the lack of adequate legal services on the everyday lives of those whose rights have gone by default? How should adequate services be provided for giving them the legal advice and assistance which at present they lack? These problems surely require steps more drastic than judicial restraints on forensic prolixity or the establishment of crèches in central London.

It is no credit to the legal system that in 1971 there was one solicitor's office for every 2,000 in Guildford and Bournemouth compared with one for 16,500 in the London Borough of Tower Hamlets, one for 26,000 in Salford, one for 37,000 in Bootle and one for 66,000 in Huyton.

Nobody in his senses is likely to attempt to explain these figures by suggesting that Huyton is an exclusive sanctuary for saints above the need for the law or that the cathedral city of Guildford is a sink of litigious iniquity or a continuous merry-go-round of conveyancing. Could the far from paltry sum of £1,245,606 have been devoted more usefully to supplying Huyton or Bootle with another solicitor's office or, even more beneficially, to law centres for those deserving cities?

A comparison of the position of barristers in private practice with the circumstances of employed barrisers reveals that the barristers in private practice has no perks or fringe benefits of the kind enjoyed by his or her colleagues or contemporaries in industry, such as use of a company car, subsidised housing, assistance with house purchase, free life assurance, free medical insurance, share option or share purchase schemes, interest free or low interest loans, free telephone rental, free or subsidised lunches and free medical checkups for self and family, to say nothing of sickness benefits or pension schemes.

In an era of inflation, all those benefits are of incalculable value, and go well beyond the fringe as an element of remuneration. The first volume of the report contains a helpful index, but the index does not mention nor does the text discuss the impact of inflation: a significant omission in any realistic assessment of the reasonableness or unreasonableness of lawyers' current earnings.

A cryptic conclusion reached by the Commission was that "the problems identified by the Pearce Committee have not yet been solved." These problems include the shortage of accommodation for barristers' chambers, the lack of a common rent policy among the Inns of Court, the difficulties of finding pupillages, the difficulties over access to tenancies in chambers, and finance for pupillage and student.

Furthermore, the text of the report states that "members of the Bar under the age of 50 play little part in the formulation of policy in the Inns": a state of affairs described by the Pearce Committee as "a serious disability." The Commission suggested no solution to any of these problems.

A clue to the average person's reaction to the legal profession appears in Mr. Edmondson's Note of Dissent. He starts his note thus: "I dissent from the Commission's recommendation that legal aid should be granted to enable lawyers to be engaged as advocates before industrial tribunals. I do so on the grounds that I consider lawyers should have no place in the field of industrial relations. The presence of lawyers as advocates has destroyed the intended inquisitorial procedure of the tribunal and greatly lengthened the proceedings."

He continues: "From 1940 to 1946 under the Essential Works Order we had tribunals to which any worker, whose employment was terminated for any reason, could appeal. . . . Lawyers were not allowed to appear as advocates, and the Tribunals operated very efficiently, being able to complete several cases in one day."

There are two pernicious attitudes to the problems of the legal profession.

One is of insensate hatred which seeks to exclude lawyers from every walk of life where lawyers are beyond the pale. This tends to be the layman's attitude.

The other is or incorrigible complacency, which, although aware of some shortcomings prefers to regard everything in the garden as beautiful beyond compare. This tends to be the lawyer's attitude.

While both these attitudes prevail, no royal commissions and no volumes of report are likely to result in any recognition or solution of the real problems which continue to give rise to genuine concern.

Three Troikas lands Arc with Troy in third place

RACING

BY DOMINIC WIGAN

IN WARM and humid conditions in Paris yesterday, Three Troikas strolled away with the Prix de l'Arc de Triomphe in front of a huge crowd which included President Giscard d'Estaing.

Three Troikas, a three-year-old Lyphard filly, was the first winner of the Arc to be trained by a woman. The winning filly was turned out in immaculate condition by "Cricket" Head, and was ridden by her brother, the former champion, Freddy. To add to the family picture, the winner is owned by Mme. Alec Head, whose husband did so well in this race.

There were no excuses for the favourite, Troy. Simply unable to go the early pace, he faced an impossible task from the entrance into the short Longchamp straight, and, although making up ground close to home, never threatened. He snatched third prize on the line, in catching Pevero.

Le Marmot looked like giving Three Troikas a battle, as matched stride approaching the distance, but he could not produce the necessary pace, and was held comfortably throughout the final furlong.

It was a disappointing day for the connections of Troy. They were delayed by over two hours at London Airport, and The Dancer failed to win the Criterium des Pouliches, as many had hoped. Britain did score, when that ultra game sprinter Double Form lifted the Prix de l'Abbaye.

Fulke Johnson Houghton, whose Blewbury stable is not noted for major handicap successes, had a good win with Smartset in the Cambridgeshire at Newmarket on Saturday.

The colt went well in the hands of top-class rider John Reid. Although fast being caught by Greenhill God in the closing stages, Smartset never looked like losing his advantage.

It is difficult not to sympathise with Michael Stoute, of Beechhurst, over Greenhill God. His second place was the horse's fourth this year—and he has yet to win.

Greenhill God was runner-up in the Royal Hunt Cup, and failed by three quarters of a length to beat Portese in a major handicap at Redcar.

Topsy was the easiest winner of the Sun Chariot Stakes I have seen in recent years. The Harry Wragg-trained daughter of Habitat was always cruising.

WOLVERHAMPTON

2.00—Tweel
2.30—Derring Piece*
3.00—Solo Reign
3.30—Our Mandy
4.00—Con-man**
4.30—Helia***

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra High Frequency only). 9.00 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Fingerbobs. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Newry, Co. Down. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Lippy Lion. 4.25 Jackanory 300. 4.40 Battle of the Planets. 5.00 John Craven's Newsround. 5.10 Blue Peter. 5.35 Noah and Nelly.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Angels.
7.20 The Rockford Files.
8.10 Panorama.
9.00 News.
9.20 The Monday Film: "Someone's Watching Me" starring Lauren Hutton.
11.00 Film 79.
11.30 News Headlines.
11.32 Roadshow Disco.
11.55 Weather/Regional News.

All Regions as BBC1 except at the following times:

Scotland—11.00-11.20 am For Schools. 1.45-2.00 pm Mod Nan Eilean 1979 (highlights). 5.55-6.20 Reporting Scotland. 11.55 News and Weather for Scotland.

Wales —1 0.38-10.58 am I Ysgolion. 1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Angels. 7.40-8.10 Where are they now? 11.55 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55 Scene Around Six. 6.25-6.55 Land 'n' Larder (World Ploughing Championships). 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich): Look North (Leds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol): South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

7.30-7.55 am Open University.
10.05 Role of the Nurse.
10.30 Working for Safety.
11.00 Play School.
2.05 pm Roadshow Info.
2.15 Let's Go.
2.30 Multi-Racial Britain.
3.00 Making Toys.
3.30 Discovering Patchwork.
4.00 Use Your Head.
4.50-5.40 and 6.05-6.55 Open University.
6.55 Time Out of Mind.
7.20 Tex Avery Cartoons.
7.30 Mid-Evening News.
7.40 A Diary of Britain.
8.20 The Two Ronnies.
9.00 Alec Guinness in "Tinker, Tailor, Soldier, Spy."
9.45 Horizon.
10.35 Their Lips are Sealed.
11.20 Late News on 2.
11.35 Closedown, reading.

CHANNEL

Channel is the only IBA company transmitting programmes during the present industrial dispute. Details of this local service are given below.

1.20-1.30 pm Channel Lunchtime News, What's On, and Weather. 5.00 Puffin's Birthday Greetings. 5.05 Clue Club. 5.30 Lost Islands. 6.00 Report Six Extra. 7.00 Fishing with Bernard. 7.30 Echo of the Wild. 8.30 Feature Film: "Destination Inner Space." 10.00 News Headlines. 10.05 Jericho. 11.00 News in French.

F.T. CROSSWORD PUZZLE No. 4,093

ACROSS

1 If you watch the clock, you won't make progress (4, 4)
5 Ginger-beer mixed with beer in Syria (6)
9 Early period shows one in a coach (5, 3)
10 Here we find our House in Paris (6)
11 One short drink in the exam that's eccentric (8)
12 What the green reader must spot if he wants the right line (6)
14 Musical term awards a place to the officer (5, 5)
18 May save a libel action with regard to drawing (10)
22 Country dance could be for all (6)
23 Urge to sow aubergine (3-5)
24 The girl in the network (6)
25 Fight for a plug about Buenos Aires (2, 6)
26 Artist in pledge for parking place (6)
27 He went to fetch his wife from Paris (8)

DOWN

1 City that causes doctors to be intimidating (6)
2 Novice that is after a castle (6)
3 The goddess of Justice is after them (6)
4 John's concession to human rights (5, 5)
6 Shouts of warning from those on the watch (4-4)
7 Picture left to the with-it artist (8)
8 Welcome thus with arms (4, 4)
13 Failure to say this denotes excessive timidity (2, 2, 1, 5)
15 Ransacking after car model is of small importance (8)
16 "—— by weakness, wiser men become" (Waller) (8)
17 Coping with a chap who is getting on (8)
19 Work I took in may make me sleepy (6)
20 Girl with a sheepish get-up and a funny hat (6)
21 Hasten round to the ancient capital (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Radio Wavelengths

1	[illegible]3kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Streophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Peter Powell. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (s). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (s). 7.32 Terry Wogan (s). 10.03 Jimmy Young (s). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (s). 2.15 David Hamilton (s). 4.15 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 6.45 Sports Desk. 7.02 Music from the Movies (s). 7.30 Alan Dell with The Dance Band Days and at 8.02 The Big Band Sound (s). 9.02 Humphrey Lyttelton with The Best of Jazz on records (s). 9.55 Sports Desk. 10.02 Town and Country Quiz. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (s).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture Concert, part 1 (s). 8.00 News. 8.05 Concert, part 2. 9.00 News. 9.05 This Week's Composer: Prokofiev (s). 10.00 Singer's Choir. 10.30 Cello and Piano recital (s). 11.00 BBC Northern Symphony Orchestra in Hong Kong, concert, part 1 (s). 11.45 Interval Reading. 11.55 Concert, part 2. 1.00 News. 1.05 BBC Lunchtime Concert (s). 2.00 Liszt organ recital (s). 2.35 Matinee Musicale (s). 3.35 New Records (s). 5.25 Homeward Bound (s). including 5.45-5.50 News (‡and mono only from 5.45). ‡6.15 At Home. 7.10 Jean Francaix: Piano concerto in D major. 7.30 "Therèse" opera in one act by Tavener (s). 9.30 Changing Qualities of Chinese Life. 10.00 Mozart concert (s). 10.30 Cello and Harpsichord recital (s). 11.25 Jazz in Britain (s). 11.55-12.00 News.

VHF Only—5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.45 Walden. 9.00 News. 9.05 Start The Week With Richard Baker. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 The Lacquer Lady. 11.00 News. 11.05 Machines With Mouths: Advancing technology of speech recognition. 11.50 Let's Get Rid Of . . . 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (s). 4.45 Short Story. 5.00 PM News Magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Small, Intricate Life of Gerald C. Potter. 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play (s). 9.15 Near Myths. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (s). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Music At Night (s). 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Paul Owens' Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

London Broadcasting

5.00 am AM with Bob Holness and Doug Cameron. 10.00 The Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports. 8.00 After Eight Special. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Montey at Large. 5.00 Morning Music.

Capital Radio

6.00 am Breakfast Show with Mike Smith (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Rex Harrison—If Love Be Love (s). 8.00 Ronnie Scott Tribute with Adrian Love (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (s). 11.00 Tony Myatt's Late Show (s). 2.00 am Night Flight (s).

Wigmore Hall

Nash Ensemble

by DAVID MURRAY

The Nash Ensemble's Wigmore concerts this season form a substantial portion of the Fauré celebrations there, but they are exploring other French byways at the same time. On Saturday they turned their attention to André Caplet (1878-1925). Very little of his own music is played outside France now, though his work does not go unheard—he is thought to have had a prominent hand in the scoring of Debussy's orchestral *Images*. In this concert we had a *Conte fantastique* for harp and string quartet, inspired by Poe's "Masque of the Red Death," and some songs.

The young baritone Henry Herford appeared for the songs, replacing Sheila Armstrong "at very short notice"—but he was suspiciously well prepared, delivering Caplet's cycle *Le vieux coffret* with great confidence and conviction. The voice is warm and attractive, his French excellent, and his grasp of the musical idiom was remarkable. The ripely decadent sonorities of the piano part—this is a headily erotic cycle—were nicely calculated by Ian Brown. There was also a charming song with flute (Judith Pearce), "Ecoute, mon coeur . . . ," and a fine account of the familiar Debussy *Promenoir des deux amants*. One looks forward to a whole French programme by Mr. Herford. The harp *Conte*, with Frances Kelly a polished soloist, was no more than interesting, its melodic material too little insidious to capture the romantic-fatal flavour of its Poe scenario.

Earlier—much earlier, for the programme was too generous—Miss Pearce had led an elegant and affectionate performance of Mozart's happiest flute quartet, K.298 in A. Fauré was represented this time by his Second Piano Quartet, op. 45, which the Nash gave plenty of dramatic breadth and rather too much textural thickness. An impatient Adagio and a tame Allegro molto suggested that they had not quite found the pulse of the work yet, though it was a sound sketch they offered. Best of all was Debussy's late, exquisite Sonata for flute, viola and harp, dominated by Miss Pearce's superlative playing: faultless phrasing, ravishing tone—she is the complete mistress of the work.

Theatre Upstairs

Sus

by B. A. YOUNG

The transfer of this piece from the Soho-Poly is timely, when questions are being asked about the propriety of police powers of arrest on suspicion. It is a characteristic Barrie Keeffe play of concern for the helpless prey of authority. The feelings are expertly wrung, and it would be a hard-hearted audience indeed that left without a sense of indignation; but Mr. Keeffe is not above some melodramatic practices that do not stand up to prolonged reasoning.

Delroy, an unemployed Liverpool-born black, has been brought in on suspicion of having killed his wife by an amateur abortion with a screwdriver. Most of the 75-minute action depicts his interrogation by two detectives throughout a night of mental and physical violence. Both detectives are intrinsically anti-black, and the senior of them is as much concerned with the general election results currently being announced as he is with getting this squalid case out of the way.

The sinister methods of the police, who seem frankly to have little evidence on which to base even a charge of manslaughter, let alone murder, are familiar to us from a good deal of contemporary literature. Mr. Keeffe gives his three characters a lively wit, though Delroy soon drops into a despairing silence. The sudden reversal of fortune, when it is announced that the police surgeons have made a mistake, and Delroy's wife died from natural causes, is pure melodrama, but it paves the way for what seems to me the most disquieting moment of the evening. Delroy, dismissed with a bare word of formal apology, allows himself a crude act of defiance. He should be careful, they tell him; there has been a lot of housebreaking in the neighbourhood, and he may easily be arrested on suspicion of being involved.

Under Ann Mitchell's direction, the playing by Stuart Barren and Christopher Driscoll as the detectives and Paul Barber as Delroy is as near perfection as anyone could ask for.

Paul Barber — Leonard Burt

A scene from 'An Actor's Revenge' — Leonard Burt

Old Vic

An Actor's Revenge

by ARTHUR JACOBS

The English Music Theatre, which the Arts Council scandalously proposes to allow to die, presented on Friday the first performance of *An Actor's Revenge* by Minoru Miki. It is presumably the first Japanese opera to be staged in Britain and is a highly successful work—more so than the company's two other "exotic" offerings of recent seasons, Henze's *La Cubana* and Conrad Susa's *Transformations*. Conducted by Steuart Bedford, the performance won a deservedly warm reception. If so enterprising a company really perishes, then the Arts Council may as well perish with it.

The opera is a setting of an original English libretto by James Kirkup, based on a Japanese short story by Otokichi Mikami. Its hero, Yukinojo, is an *onnagata*, a Kabuki actor specialising in female roles, and the opera itself borrows from Kabuki convention. Yukinojo sits aside and narrates his story, his own role being enacted in mime. Thus the character was doubled—sung by the excellent tenor Kenneth Bowen (a little disconcertingly reading his part from a music-stand) and mimed by the equally excellent Stephen Jeffries of the Royal Ballet. Striking indeed was the visual relationship between Mr. Jeffries in female attire and make-up and the sweet-singing Marie Slorach as Namiji, Yukinojo's beloved.

Singing, acting and words were closely integrated under the skilful stage direction of Colin Graham, whose production of *Curlew River* and the other church parables of Britten had already shown an awareness of Japanese theatre. I much admired Richard Suart as a corrupt merchant and David Bartleet as the Shogun (ruler). The strangling of one villain by another, while the hero looks on, unseen, was a powerful dramatic moment. Japanese atmosphere is further conveyed by the presence of a *koto* (zither), *shamisen* (lute) and Japanese percussion in the otherwise Western orchestra.

Moreover, the music has a deeper Japanese essence. Not constructed in Western modulating harmony, its basis is a sung declamation that sounds like intensified speech, against static chord-formations and rhapsodic interjections from solo instruments. Only occasionally, and then a little obtrusively, does the music settle down for something like an aria—Namiji's "Spring has come to my garden," for instance. As a whole, the score gives a sharp pleasure which is not, I think, entirely dependent on its freshness and novelty. The recapitulatory material at the end, however, would be better shortened.

The spare, swift, elegant libretto contributes much, jarring, only in the lines "You drove my wife and I," and "No forgiveness for my wife and I." Considering that Mr. Kirkup is a poet of some distinction, this was rather odd of he.

Olivier

Richard III

by B. A. YOUNG

Richard's shadow, portentously cast on the metallic wall of Ralph Koltai's massive design, bodes something more awesome than the sight of John Wood's Richard. When he comes into sight, we see a tall, thin man, a brace on his lame left leg, a glove on his paralysed left arm, his left shoulder higher than his right: but nothing for the dogs to bark at. His voice, when he starts to celebrate the glorious summer of the sun of York, comes from the cellerage, in spasms; but soon he has taken us into his confidence enough for normal speech, and we begin to perceive the character of this unusual prince.

Nothing is serious to him: with such belief in his impending successes he can afford to mock everything. When Lady Anne uncovers the body of Henry VI, Richard dabs a forefinger into the bloodstains and tastes the flavour of his victim. Sitting later on the throne, he ostentatiously drops off to sleep as Buckingham asks for his promised earldom. With Richmond threatening him on the seas, he plays soldiers with his young myrmidons: the flourish that drowns the curses of Elizabeth and the Duchess of York are played on toy trumpets and drums. Only at the very end does he cease his mockery and dissimulation.

It is a most interesting performance, and if it is not a great one this may well be because Mr. Wood has deliberately chosen to play Richard as a lightweight. I have not heard him speak verse before, and his voice reveals much flexibility over a long range, though when he was speaking very fast, as he tends to do at times, I was unable to hear everything he said. Any passage of poetic beauty seemed to hint at a tongue in the cheek. This is a satirical Richard, not a villainous one. The necessity to murder a dozen people to clear his path to the throne is no more than a tiresome obstacle in his progress.

Christopher Morahan's production is less interesting. A square stage presents an angle to the audience: on one upstage side there is a high wall that will break in two to provide a gap, and on the opposite side another wall is pivoted so that it can revolve and divide the stage as needed. All is in metallic monochrome. In the last act, Richmond's camp, Richard's camp and the occasional sights of warfare are all easily accommodated. Most of the warfare is heard off-stage: we are at what we used to call B Echelon with the cooks.

The politics that fill the main part of the play never quite come to the boil, in spite of one or two colourful (and I thought rather vulgar) attempts to boost them. Edward IV (Anthony Douse) coughs blood on to his hand, and then accidentally wipes it all over his face. Rivers, Grey and Vaughan are executed in front of us, their heads out of sight; as they die, drains that cross the stage turn red with blood. Another drain goes red after the death of the little boys. Little Richard of York arrives on a hobby-horse, offering one of the few touches of colour in the generally grey ambience, until Richard ascends the throne clad in crimson plastic.

The three mourning queens—Yvonne Bryceland as a slovenly old Margaret, Anna Carteret almost out of her mind as Elizabeth, Mary Wimbush as the Duchess—bring a touch of tragedy to their grim trio. John Normington is an admirable Clarence (and I like his murderers, Michael Beint and Peter Needham); Jeremy Kemp gives some dignity to Buckingham. As Lady Anne, Mel Martin made much of her scenes. But on the whole I didn't find much passion in the playing, and it seemed to me that the players were not very effectively deployed on the stage.

Snape Maltings

Benson and Hedges Gold Award

by ELIZABETH FORBES

The Benson and Hedges Gold Award for concert singers, the finals of which took place on Saturday night at Snape Maltings, was won by Canadian mezzo-soprano Catherine Robbin. Second came Japanese soprano Mitsuko Shirai, third was Scottish mezzo Marilyn de Blieck and fourth American baritone Philip Frohnmayer.

The international panel of judges, chaired by Sir Peter Pears, had obviously found it difficult to choose between the first two prizewinners. Miss Shirai, a fine musician and serious artist, has a long list of previous awards to her credit. Her programmes were exclusively German and though there is nothing in the rules of the Benson and Hedges competition to oblige the singer to offer a second language, some variety is surely necessary to indicate the contestant's range.

Miss Robbin sang in English and French as well as German. She has a natural facility for language with excellent diction and her bright-toned, agile voice can take on subtle shades of expressive colouring. She opened her half-hour programme with delightful accounts of two songs by Purcell. In a German group, Mahler's "Rheinlegendchen" gave the opportunity of displaying an attractive sense of sound. In *Saluste du Bartas*, the splendid cycle by Honegger—recorded, incidentally, by Huges Cuenod, one of the judges—she captured the spirit of the text and the rhythm of the melody quite beautifully. Roger Vignoles, her excellent pianist, revelled in the bouncy accompaniment.

Miss Shirai, whose voice is smooth and full in timbre and of considerable power, did not communicate much emotion in two Shcubert songs. She broke through her reserve in the Mignon songs by Wolf, and phrased the nostalgia of "Kennst du das Land?" with especial poignancy. Better still was "The Nightingale," one of Berg's Seven Early Songs, whose style lit an answering spark in the soprano's severely controlled emotions.

Miss de Blieck, who was suffering from a cold, did not achieve her best voice until the last item of her programme, Mahler's *Lieder eines fahrenden Gesellen*. Then her ability to characterise music with extraordinary vividness became apparent as the tone bloomed. Earlier, in Poulenc's *Le Bestiairè*, her French pronunciation was not crisp enough to point the width of the songs. Mr. Frohnmayer, in his selections from Ravel's *Histoires Naturelles*, had similar difficulty in expressing the variety and humour of the French text, despite splendid and idiomatic support from Mr. Vignoles at the piano. Schubert and Brahms matched the baritone's style more closely though variety of expression was again lacking. "Der Doppelganger," a song than can be voiced in a single mood, came off best.

Somerset House

Pictures for Venice

by B. A. YOUNG

The Bolla Award Exhibition at Somerset House, to be opened today by Lady Howe, wife of the Chancellor of the Exchequer, consists of 180 paintings and drawings of Venice by Charles Mozley. The exhibition will be at Somerset House until October 13, and will then go to Venice where it will be shown at the Palazzo delle Prigioni Vecchie from October 19 to 22. Hedges and Butler are co-sponsors with Bolla.

On Thursday, October 11, there will be an auction of the pictures in aid of the Venice in Peril Fund.

The Bolla Award is given annually by the house of Bolla, the noted producers of Veneto wines. It is given to the British person who has done most toward the preservation of Venice during the past year. This year's winner is Lady Thorneycroft, vice-chairman of the Venice in Peril Fund, and the award she has chosen is Charles Mozley's picture of the Porta della Carta, the principal entrance to the Doge's Palace, one of the gems of Venetian architecture restored by Venice in Peril. Work on it was completed in May this year.

Charles Mozley's pictures are not only of Venice, they are *about* Venice. He has scrupulously avoided signs of vaporetti and motoscafi on the canals (though there is a small watercolour of the vaporetto stop at S. Giorgio, and another showing the gondoliers' strike against the steamboat traffic). There are no tugs alongside the Riva degli Schiavoni, no oil-tankers ploughing past the Giudecca. Nothing is distorted: simply some unsympathetic details are left out, just as his tourists tend to be dressed in more becoming fashions of bygone times.

There are portraits, too, of former Venetian society, of Monteverdi and Vivaldi, Goldoni and Casanova, Tintoretto and Canaletto, Byron, the Brownings, Othello and Desdemona. "Thoughts of Titian" is how the drawing of Titian is named, and the paintings are all in a way thoughts of Venice. They have about them, the big oils especially, a quality of spontaneity that is very pleasant, and a delightful feeling that even if the Venice of 1979 is not quite like that, it really is like that under the skin.

Festival Hall/Radio 3

Stravinsky Festival

by ANDREW CLEMENTS

Whether or not a festival is the most effective way of celebrating the most comprehensive genius of 20th-century music, on Friday evening David Atherton and the London Symphony Orchestra began the Stravinsky Festival. The first phase of the mammoth project occupies 11 concerts over the next eight weeks with performances of all of Stravinsky's orchestral and instrumental works. If everything goes well, the second phase—the vocal works—will follow in the spring of 1981. The London Symphony Orchestra and the London Sinfonietta share responsibility for the concerts; Atherton is the artistic director of the festival and will direct all the programmes.

Neglected masterpieces and novelties (even a world premiere) are promised later in the series. For Friday's opening Atherton chose a purely orchestral sample of all three periods of Stravinsky's career. True, the *Greetings Prelude* of 1955 is only a trifle from his later style, a mock-serial reworking of "Happy Birthday to You," but few of the late works do not include voices. *Fireworks*, on the other hand, is a comparative rarity from Stravinsky's years of study with Rimsky-Korsakov; very much a leave-taking of the Russian school, scherzo-like, bursting with fresh rhythmic invention if melodically rather ordinary.

The Fairy's Kiss, too, is not the most familiar of the neo-classical ballets. The Chaikovsky arrangements flow seamlessly enough (Stravinsky himself could not always remember where Chaikovsky ended and his own music began) but the sound is brittle and Stravinskyan, though the Hollywoodesque harmonisation of "None but the Lonely Heart" takes a little getting used to. Yet the plot is thin, and in concert performance the ballet outstays its welcome. It's almost as though Stravinsky felt too much affection for the original pieces and was loathe to treat them too brusquely; any sharp wit is lacking.

Atherton's virtues as a Stravinsky conductor are simple and effective. He favours lean, clear-cut textures, is closely attentive to rhythmic niceties and lacks affectation. The LSO was still in sharp, alert form after its recent bracing experiences with Celibidache: the strings lacked a little sheen, but the woodwind detail was neat and precisely registered. Performances were of the kind that Stravinsky himself might have approved, though he may not have approved of Atherton's decision to use the original (1911) version of *Petrushka* rather than the 1947 revision. To my mind the original is the more effective: more obviously the work of a young composer, less caring of the burdens of orchestral playing and thus generating extra energy. Atherton found more bite here than in the first part of the concert. A solid start, then, to the great pilgrimage, enthusiastically received: but the most interesting concerts are yet to come.

Harveys launch Irish theatre awards scheme

Harveys of Bristol are to sponsor a series of awards for professional theatre in Ireland. The awards, which will be known as the Harveys of Bristol Irish Theatre Awards, will be presented in recognition of outstanding performances in Irish theatre between September 1979 and May 1980.

The presentations will be made in Dublin in May 1980.

Harveys are one of the leading commercial sponsors of the arts in Britain and the company is also involved in arts sponsorship in a number of their principal overseas markets.

Altogether there will be eight awards which will include prizes for the best actor, actress, best new play by an Irish playwright, best direction, best performance by a supporting player and also by a new player.

TENNIS BY JOHN BARRETT

Character squeezed out of game

ONE OF the charges levelled at the modern game is that the relentless pursuit of prize money and computer points has produced a dullness of performance. The very professionalism and efficiency of the successful players, so the argument runs has eliminated the artist and killed flare.

Put another way, the game's critics complain that today there are no "characters"—although Nastase and McEnroe make this line of approach harder to substantiate.

Up to a point there is some validity in these arguments. It is true that Bjorn Borg, who dominates the men's scene and to a lesser degree his imitators like Dibbs and Solomon, Vilas and Gottfried have reduced the game to a logical simplicity by taking no risks and forcing their opponents to take the initiative—usually at great cost.

On the women's side Chris Lloyd and her successor as U.S. Open champion, young Tracy Austin, have perfected the same quality of errorless consistency which makes them impressively efficient but seldom exciting—except to the true connoisseur who can understand the difficulty of what they do.

However, there seems to me to be a more fundamental reason why the game is becoming less of a spectacle—and certainly Wimbledon and the U.S. Open this year lacked excitement. The game is becoming over-organised and the character is being slowly squeezed out of it. Before the days of supervisors, umpires' stopwatches and penalty points the players could express themselves more freely. Talent could and did flourish.

What spectator could ever forget the epic first round battle in 1969 between the 41-year-old lion Pancho Gonzales and Charlie Passarell who was 16 years his junior? After 5½ hours, spanning two days, the battle-scared warrior defeated the younger man in Wimbledon's longest ever single 22—24, 1—6, 16—14, 6—3, 11—9.

Those with longer memories will still cherish that other centre court classic—the 4½ hour struggle between those old rivals Budge Patty, the elegant American and the bespectacled left-hander Jaroslav Drobny. The self-exiled Czech came back to win that one 8—6, 16—18, 3—6, 8—6, 12—10 and wrote a page into Wimbledon's rich history.

To the game's new fans these heroic scores from yesterday must seem rather strange. Today neither of these matches would be possible because of the tie-break. I believe that this more than anything else is responsible for robbing us of the excitement that the game's inventors so cleverly built into the scoring system with its succession of climaxes from games to sets and sets to matches.

Of course the one-court events, like those held indoors at Wembley and the Royal Albert Hall, could not survive without the tie-break. There simply would not be time to complete the matches. But at the great championships like the French Open, Wimbledon and the U.S. Open, where there is ample time and sufficient courts to complete matters without undue pressure, I believe that the tie-break has devalued our great sport.

The ultimate absurdity occurred at Wimbledon this year when Adriano Panatta of Italy beat Sweden's Ove Bengtson 7—6, 7—6, 7—6. It happened too in the women's singles when Betty Stove lost 7—6, 7—6 to Diane Fromholtz in the fourth round.

The evidence from these three championships suggests that there are too many matches ending with this legalised form of Russian roulette. In the French championships 12 men's matches and five women's ended with a tie-break. At Wimbledon, the comparative figures were 13 men's matches and six women's and at the U.S. Open there were 13 men's and four women's matches. These figures are for singles only.

Nor has the tie-break done much to reduce the overall length of matches. In the French Open there were 25 five-set singles of which 14 contained no tie-break. At Wimbledon, there were only 11 matches with tie-breaks in 18 five-set men's singles and at the U.S. Open only four of the 19 five-set men's singles contained the tie-break. The women's figures are even more impressive. In Paris, only six ofthe 17 three-set singles contained tie-breaks: at Wimbledon there were only seven tie-breaks in 26 three-set singles and in New York only nine in 20 matches.

RUGBY UNION BY PETER ROBBINS

Romania lose with dignity

GIVEN THE present furore in rugby, it is mildly ironic that two teams from totally different régimes, Romania and South Africa, should be touring Britain at present.

Their simultaneous presence seems to endorse the view that, although sport and politics are bound to mix, there still remains such a thing as freedom of the individual and of organising bodies.

Without going to great lengths, since the arguments have been propounded extensively, I believe that the isolating of South Africa in the sporting world has had the required effect in that country. But it should be noted that it is the sportsmen in South Africa who have taken the initiative in promoting multi-racial sport; and for that they deserve credit, not disapproval.

The French have always been ready to receive any rugby nation, and it is due almost entirely to them that Romania has emerged such a vibrant force in world rugby.

Romania lost by one point (13-12) to a Wales XV on Saturday, but rather unluckily in my view, and with a dignity that was quite uplifting.

Their principal qualities were in their fitness, speed to the break-down and a well-organised defence in which Stoica was pre-eminent.

He, Dumitru, their inspiring captain, and Murariu gave Quinnell and Squire many problems at the end of the line-out. Further, the ways in which these three supported Parashiv, the scrum-half, was a model of co-ordinated back-row play.

We might well have been watching the French side at times, so closely have Romania imitated their mentors.

What really prevented a historic victory was the rather limited play of the centres, particularly Constantin, who kicked away some valuable hard-won possession. This was fatal because Bucos, their talented full-back, was itching to get into the line.

Romania appeared frightened to use him; yet on other occasions, much to the delight of the Welsh crowd they ran dangerously from deep in their own half.

Certainly, after this magnificent effort there is a case to include Romania in the home countries' championship, or at the least, the establishing of regular contact with them.

The Welsh XV was certainly not very impressive, but the season is too young yet for the players to be fully fit.

It was strange that the selectors brought in Gravell for the injured Rees on the right wing. Far better to have brought in Keen of Aberavon on the left wing, and to have switched the sprinter Griffiths to his normal position on the right.

Griffiths, taking the place of J. J. Williams, did not have a happy match. He dropped two vital scoring passes, one through the elementary mistake of overrunning the ball. He also carried the ball under his right arm, thus precluding a defensive hand-off.

Holmes had a marvellous season last year, but for all his strength he will have to realise that he cannot do it all by himself. When he is pinned in a maul or a ruck, the Welsh three-quarter strength is temporarily neutralised. Variety is one of the keys to successful scrum-half play, and experience will teach him that.

The experience of this match was also valuable to Peter Morgan, who has the unenviable task of following J. P. R. Williams. He was a little inhibited in attack, until the second half, when he added a little order to some poor passing by the Welsh centres. Since he dealt confidently with a variety of kicks, he seems assured of a place in the full national team.

Wales will certainly have to tidy up their passing behind the scrum, if they are to play the overlap game which has brought them so much success. But the advantage of playing Richards, the gifted Swansea fly-half, in the centre is that he is so devastating in attack from broken play.

That is where Wales score so heavily, because they have the flair players behind an efficient pack. For all that teamwork is essential it is the gifted individual who has finally won games for them.

The other remarkable fact about recent Welsh teams is that they raise their game when they are points down, and for this, on Saturday, they owed a lot to Quinnell.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

William Dullforce reports on the outcome of a Swedish rescue bid

Electrolux purchase of ailing Facit begins to add up

WHEN Mr. Hans Werthén, then Electrolux's managing director, was in New York in 1972, *he heard by chance of the* financial and management plight into which Facit, the Swedish calculating machine and typewriter manufacturer, had fallen. Just over three days after his return to Sweden Electrolux had acquired it.

The speed was typical of Mr. Werthen's decisiveness and eye for an opportunity. Not so typical was the venture into products outside the household appliances field, in which the Electrolux group has developed into a world leader over the past decade.

The Electrolux management had difficulty licking its new acquisition into shape, but by 1978 Facit was back in the black and it will increase its earnings this year. Its problems are not over and further setbacks cannot be excluded, particularly for its typewriter operation, but the turn-round in its fortunes offers an interesting example of what can be done for a company which appears to have been overtaken by technological development and to have reached a dead-end because of the advance of electronics.

Electrolux's management has succeeded in finding ways of exploiting the specialised skills of Facit's core employees to nudge it into a product area in which it has a chance of survival. In the process, they have largely safeguarded jobs in a local community, Aatvidaberg, which relied almost entirely on Facit.

Company workers in the cities of Gothenburg and Malmö were less fortunate, however: *Facit's reconstruction* has required painful personal readjustments from many employees, not least among the white collar staff.

Above all, the story illustrates the flexible, common-sense style of management which Mr. Werthen has imposed on Electrolux. It is a style short on management theory and long-term planning, but strong both in decentralising responsibility and controlling performance by a quick feedback system.

Aatvidaberg, the headquarters for the Facit company in 1972, is a community of some 9,000 inhabitants in Southern Sweden, which was known mostly for its copper mines until the 1890s, when the ore gave out, and for its oak forests. Unusual in a country of pines, firs and birches, the oaks provided the raw material for the development of a wheelwright, carriage and furniture business which was linked through bank interests with a small, insolvent *company making calculating* machines in Stockholm.

This was Facit, which was moved to Aatvidaberg in the 1920s and put in charge of the wheelwright and furniture business's new manager, Mr. Erlof Ericsson. Over the next *four decades until his death in* the mid-1960s he and his son built up a concern with a SKr 1bn ($245m) turnover and a substantial export business. *He also acquired a majority* shareholding for his family.

The invention of a new type of mechanical calculating machine gave the business its original impetus but Mr. Ericsson expanded into typewriters and adding machines by buying up *companies in the Gothenburg* and Malmö areas. In the 1960s, after abandoning an effort to break into computer construction, Facit arranged with Sharp for the manufacturing in Japan of an electronic calculator and simultaneously started to *develop its own.*

It is possible to pinpoint the exact time when Facit's collapse started. From the first quarter of 1971, sales of mechanical calculators plunged, an experience which the Swedish company shared with several rival *foreign manufacturers.* The cause was the introduction of integrated circuits, which, linked with cheap Far East labour, produced an explosive development of electronic calculators.

Profit into loss maker

Facit's own electrical calculator was too complicated, had running-in problems and was outpriced. At the same time its adding machines were facing competition from those with attached printers. So in 1971 Facit was transformed from a solid, profit-making concern into a loss-maker.

The next year an American consultancy was called in and recommended a rationalisation which would have involved the dismissal of some 2,400 employees in Sweden alone. The board could not agree on which factories to close and the man it had decided to appoint from outside as new managing director turned down the appointment at the last moment. At that point Mr. Werthen stepped in and took over the group for a price of around SKr 63m ($15.2m).

Mr. Anders Scharp, Electrolux's *deputy managing director* and the man now in charge of the Facit operation, sums up the situation: "Facit was not organised to deal with the problem of products which had reached their limit and needed to be replaced fast."

The normal lifetime for an electronic calculator in 1973 was between eight and 12 months, but Facit had taken 18 months to develop and tool up for its new calculator. The management was not orientated towards product development, and the *organisation was incapable of* responding to such a swiftly developing crisis.

How did Electrolux cope? Mr. Scharp does not pretend it was easy. "We had not been in that kind of business before. It took us two to three years to get a *grip and we had some difficul*ties."

One mistake was to persist with electronic calculators. This led to a second crisis for the *Facit group in 1975. From that* year onward the market prices of electronic calculators plummeted by 25 to 35 per cent a year. Facit's ability to compete was further undermined by the leap in Swedish production costs which followed the high national wage settlement of 1974.

At the end of 1975, Electrolux belatedly decided to close down electronic calculator production in Sweden. This was reflected in a decline of 540 in the Facit workforce in 1976.

The strategy that brought Facit back to profit two years later was a combination of disinvestment, contraction in capacity, sub-contracting, integration of some units into production for the Electrolux group and an orientation towards pro*ducts in which Facit had com*parative advantages.

This was accompanied by a tough, cost-cutting approach which resulted in a drastic reduction in the number of white-collar employees and integration of top management with *the relatively small Electrolux* headquarters staff in Stockholm.

"We look for products in which Facit could have a competitive edge. We discovered that it possessed a workforce with fine mechanical engineering skills and a good marketing organisation with several useful subsidiaries round the world, so we concentrated on exploiting these elements," Mr. Sharp explains.

This led the Electrolux management to position Facit in two "intermediate" fields, computer peripherals and smaller word-processing machines for office use. The Facit workforce is good at precision engineering and, as the cost of electronics plunges, the value of ingenuity and innovation on the mechanical side is rising.

*Facit was taken out of com*puters at an early stage when its data-processing and computer systems operation was sold off to Saab-Scania's computer concern, which later turned into the present Data-Saab. Instead, Facit has concentrated on a few peripheral products which integrate mechanics and electronics, such as printers and terminals, tape handling devices and punches.

Facit Data Products now claims to be the world leader in paper tape products, making among others the Facit 4060, reputedly the fastest punch in the world. But its top product is the 4070 punch, which is widely used in industry to register measurements and information for later processing by computers.

The main customers for these products are OEM's original equipment manufacturers, who include them in their computer systems. Facit has here moved into an exclusive market, which demands high quality and adapt*able products. Its second main* area, typewriters, on the contrary, is directed towards end-users.

While the computer products are mostly made at Aatvidaberg, the typewriter operation centres on Svängsta, another small town close to the south coast, but the group also has factories in Brazil and India. Facit has continued to develop typewriters, including a single element (ball) machine, and introduced a new electronic machine at the Hanover Fair this year.

Here again, however, the emphasis is on a shift to an allied product area, in this case word-processing—not the advanced computerised word-processing systems which would entail a re-organisation of the kind in which Facit failed before the Electrolux takeover, but an intermediate market between these and the standard electric typewriter.

This approach, it is argued, fits into the international marketing organisation built up by the old Facit for its calculating machines and typewriters. The products are not too sophisticated for dealers to sell to companies which are gradually decentralising their office operations away from the individual *secretary pattern, but which are* not prepared to take the jump into the more complex and more expensive information processing systems on offer.

In the reorganisation of the Facit group these product shifts were preceded by action on the financial and management side, which had a more immediate impact. Cash was raised by selling off Facit's Stockholm office and its forest holdings near Aatvidaberg; there was also an arrangement with the Government, which was anxious to maintain employment in the Gothenburg area and the town of Strömstad where Facit had a factory.

Sale and lease back

Under this deal Electrolux sold the Facit premises in Gothenburg and Malmö to the Municipalities, rented them back and agreed with the Government to keep 880 employed in Gothenburg and Strömstad for a five-year period in return for an annual grant of SKr 19m. Eventually the Strömstad factory was incorporated in the original Electrolux group and is now turning out kitchen stoves: the Gothenburg factories were closed down.

The main effort went into maintaining jobs at Aatvidaberg. This was achieved not only by building up the computer peripheral operation but also by using part of the capacity of the main factory to produce components for dish*washers, and by sub-contracting.* This factory now services IBM printers and actually makes one of them. Employment at Aatvidaberg fell from 2,150 in 1974 to 1,425 last year.

On the management side Facit was re-organised to fit *into Electrolux's budgeting* system. Operating with some

Hans Werthen, managing director of Electrolux

250 companies or independent units, Electrolux's small top management team in Stockholm relies on a sophisticated computerised reporting system to get an accurate and up-to-date picture of overall group progress, individual unit performance, the output and marketing of each product.

In the old Facit structure development, production, marketing and administration were heavily centralised. This large top management was disintegrated and its central functions transferred to the small Electrolux head office, while the Facit operations were divided into sectors, with each sector manager reporting directly to the managing director.

One of Facit's original managers in Aatvidaberg experienced the change as both a devolution of responsibility and much tougher financial steering from the head office. Each product sector has its own structural plan and is allowed to invest in product development, but Electrolux *expects a quicker return from* investment.

Facit is now concentrating on computer peripherals, typewriters and word-processing equipment with a small, profitable office furniture business and an income from the sale *of calculators under agreement* with several other manufacturers. It is back in the black, showing pre-tax earnings of SKr 45m on a SKr 1.4bn turnover. But the return to profit is the result of decisions taken some 18 months or two years ago and, to improve performance further, management will need to find ways of expanding again.

Mr. Scharp believes there are big possibilities in computer products. Facit's markets are growing much faster than Electrolux's traditional markets in household appliances; the market for terminal printers alone, it is calculated, will grow by 25-30 per cent a year.

In this field, however, Facit faces exceedingly tough competition and it will be important to stay in front technically. A tactical move here was the acquisition last year of a 50 per cent holding in Dataroyal Inc. of New Hampshire, an American company specialising in printers. This offers both an *entry to the U.S.* and, it is hoped, some insight into development in computer peripherals in that market.

On the typewriter side the shift into word-processing is less clearly defined. So far Facit exports some 70 per cent of *the typewriters produced in* Sweden and is expanding its Brazilian output, but it must be assumed that the total typewriter market is declining.

Under Electrolux, Facit has become a much leaner group with quicker reflexes and a much greater awareness of the need to have the right product at the right time on the right market. Its problems are not over but its vitality is much stronger.

The working class manager

BY JASON CRISP

EVERYBODY KNOWS about managers. They are Them and we are Us. They all went to public school and Oxbridge. They have "middle class" stamped through their bones as if they were sticks of seaside rock. They are dyed in the wool Tories. They are forever striving to climb the greasy pole of promotion. They hate the workers whom they believe to be both very stupid and very idle.

This is the rift which divides industry and is the reason why the British economy is ailing—not to mention strike prone. It also explains why Germany and France—supposedly non-combatants in the class war—are doing better.

This may be extreme, but nevertheless the image of a manager remains a caricature. So what are ordinary managers really like, what do they think, what do they believe and what is their background? According to Gordon Redding, who has just completed a study of manager's views: "If you were to ask a managing director what his first-line managers believed about management, he would probably be unable to answer. Were you to ask an academic in the management field what knowledge was available about the beliefs of first line managers in Britain, he could point to almost no authoritative work."

The study, called The Working Class Manager, was carried out by Redding at Manchester Business School. Redding has made a very thorough study of two companies in one industry to determine the beliefs and attitudes of managers responsible for between 30 and 200 people. What h[illegible] found was something rathe[illegible] than a divided world of [illegible]nd Them.

He says that it [illegible]peared that a strong sense of identity with the operatives existed among the managers, and this was exerting a powerful influence on the way they perceived their roles and the way they behaved. "At the same time, the sense of identity . . . 'downwards' did not prevent a sense of loyalty 'upwards'."

The "working class manager" is, according to Redding, the person who has come up through the ranks, having emerged from a manual background and adopted some of the values of management while retaining some of those of the working class.

And this manager is far from being in a minority. Redding cites a study conducted in 1972 *which showed that 55 per cent* of managers came from a background where the father was a manual worker. Indeed, only 8 per cent came from a professional or managerial background.

The particular industry which Redding chose to study was retailing and the two companies were supermarket chains: "First, the special nature of retail management may mean that one cannot extend these findings to other industries," he notes, "but secondly and in contradiction to that, these are middle level managers talking about the human side of their work, and they are talking about fairly universal aspects and problems."

One company had strong cen*tral control, and tended to be* more bureaucratic and paternalistic than the other. Relationships were more formal, the managers were notably older and many had had military experience. The other was more "participative," the managers were *less formal*, better educated, had less company service, and perceived that they were delegated a greater degree of responsibility.

Given the considerable disparity in management styles, and the marked differences in ages (12 years between the means) one might reasonably expect a number of different attitudes towards topics such as social responsibility, conflict, participation, and discipline.

Not so, according to Redding. There is, he says, a large measure of agreement between the two groups of managers as to what constitutes good practice in the "human" area of their work.

For instance, he reports that in both companies managers seemed to agree that a duty of social responsibility towards staff was unarguably one of the main facets of the managerial role irrespective of whether it made people work harder. "It was seen as an ethical commitment, a right and proper attitude to take," says Redding.

There was some acknowledgement that part of the function of this responsibility was a means of cementing commitment by staff.

Again there was similar concurrence on conflict—or rather the lack of it. Redding found little to support the notion that conflict is an intrinsic part of work or a fact of life about which nothing can be done. "These managers appear to identify with staff and to understand their *interests*."

There are factors in retailing which may make it less prone to conflict than other industrial areas, unionisation is weak, together with volatile labour turnover, a high number of women workers and geographical dispersal of the working units.

One of the few areas where there was a clear difference of views between the two companies was on discipline. The more hierarchical company with the older managers "*seemed slightly less gentle in* its approach" to discipline, although Redding emphasises that this is only a matter of degree and the general tone in both companies is one of caution over the use of discipline.

Redding says that from his *study it is possible to recognise* a largely unacknowledged social fact. This is that there is a very large body of managers in Britain which does not fit the managerial stereotype at all.

"There exists a huge reservoir of finely tuned sensitivity which can be used to defuse the irritability and conflict which is often manifest between labour and management. It is already doing so in organisations which allow it to be used to full advantage. In organisations whose structures prevent it from flourishing, the problems of communications, of misunderstanding and of conflict based on caricatures, are likely to continue."

The Working Class Manager by Gordo[illegible] Redding is published by Sax[illegible] House, Teakfield, Westmead, Farnborough, Hants. Price £8.50.

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of BUILDING SOCIETY RATES on offer to the public.

For further details [illegible]ase ring 01-248 8000 Ext. 424

CAISSE NATIONALE DES TELECOMMUNICATIONS

6.75% 1967/1982

Loan of US $30,000,000

We inform the bondholders that the redemption instalment of U.S.$3,500,000 nominal due 1st November 1979, has been satisfied by purchase of U.S.$1,077,000 nominal bonds and by the drawing for redemption of the undermentioned bonds amounting to U.S.$2,423,000 on 11th September 1979, in Luxembourg, in the presence of an "Huissier."

The bonds will be reimbursed at par on 1st November 1979, coupon due 1st November 1980 and followings attached, according to the modalities of payment on the reverse of the bonds.

The numbers of such drawn bonds are as follows:

17541 to 17552	17557 to 17558	17562 to 17568	17571 to 17586	17591	17611 to 17615
17625 to 17628	17634 to 17658	17660	17684 to 17688	17594 to 17598	17771 to 17777
17779 to 17785	17788 to 17789	17793	17796	17801 to 17811	17815 to 17820
17830 to 17832	17855 to 17858	17862 to 17863	17882 to 17891	17897 to 17904	18011 to 18034
18060	18069 to 18078	18083 to 18093	18101 to 18107	18150	18187 to 18188
18203	18223 to 18224	18239 to 18242	18268 to 18273	18294 to 18299	18335
18338 to 18339	18345 to 18349	18352 to 18353	18357 to 18358	18387 to 18393	18413 to 18418
18434 to 18587	18604 to 18605	18607	18632 to 18633	18673 to 18679	18687 to 18688
18697 to 18706	18736	18740 to 18834	18845	18855 to 18862	18868 to 18870
18875 to 18902	18909 to 18919	18949 to 18951	18954 to 18955	19036 to 19041	19067 to 19069
19112	19121 to 19125	19140 to 19141	19151	19167 to 19169	19180
19202 to 19205	19217 to 19219	19225 to 19234	19244	19251	19253 to 19254
19278 & 19392	19402	19405 to 19406	19410 to 19417	19440	19459 to 19465
19471	19489 to 19493	19498 to 19500	19518 to 19519	19533 to 19537	19540 to 19543
19593	19597 to 19598	19609 to 19610	19614	19740 to 19742	19745 to 19760
19787	19810 to 19814	19872 to 19913	19917 to 19940	19944 to 19963	19971 to 20020
20035 to 20039	20069	20116	20120 to 20123	20129 to 20134	20147 to 20150
20152 to 20159	20175 to 20176	20185 to 20202	20439 to 20444	20476 to 20477	20481 to 20570
20572 to 20575	20605 to 20606	20642	20646 to 20649	20755 to 20829	20927 to 20929
20980 to 21026	21067 to 21111	21169 to 21173	21180 to 21188	21190 to 21200	21236 to 21242
21249 to 21253	21255	21258 to 21260	21273 to 21279	21293 to 21297	21305 to 21454
21464 to 21494	21504 to 21564	21580 to 21581	21586 to 21587	21592 to 21595	21605 to 21654
21659 to 21662	21676 to 21679	21682 to 21725	2173[illegible] to 21782	21746 to 21749	21891
21897 to 21903	22038 to 22072	22078	[illegible] 22190	22196 to 22206	22208
22224 to 22230	22233 to 22243	22333 to 22337	[illegible] 22369	22380 to 22384	22399
22403 to 22404	22413 to 22417	22424	[illegible] 22527	[illegible]531 to 22534	22536 to 22543
22563 to 22565	22570 to 22581	22584	[illegible] to 22693	[illegible]591 to 22592	22613
22622	22642 to 22646	22656 to 22657	[illegible]62	[illegible]697 to 22701	22703 to 22704
22716 to 22717	22744	22758 to 22759	23190 to 23192	22765 to 22766	22795 to 22809
22840 to 22939	23127 to 23137	23146 to 23164	23233 to 23234	23197 to 23198	23200
23210 to 23216	23221	23227	23369	23236 to 23239	23250
23254 to 23259	23261 to 23277	23358 to 23382	23617 to 23622	23372 to 23408	23419 to 23428
23491 to 23517	23545	23597	23773 to 23774	23643 to 23645	23673
23686 to 23687	23689 to 23692	23733 to 23752	23895	23782 to 23792	23827
23853 to 23854	23867 to 23870	23889 to 23891	24052 to 24059	23897 to 23911	23991
[illegible]4005 to 24024	24030 to 24031	24040 to 24050	24151	24061 to 24064	24066 to 24067
[illegible] to 24072	24085 to 24087	24095	24240 to 24244	24163 to 24172	24175 to 24176
[illegible] to 24198	24201 to 24209	24211 to 24214	24435 to 24444	24250 to 24270	24280 to 24281
[illegible] to 24306	24324 to 24334	24390 to 24400	24655	24480 to 24481	24488 to 24490
[illegible] to 24494	24510 to 24512	24555 to 24595	[illegible]721 to 24724	24657 to 24671	24674
[illegible] to 24741	24687	24690 to 24704	[illegible] to 24800	24727 to 24728	24730
	24743 to 24763	24765 to 24784		24805 to 24809	24845 to 24887

[illegible]mount outstanding after 1st November 1[illegible] $10,500,000 nominal.

The P[illegible] Agent

[illegible]ETE GENERALE ALSAC[illegible]NE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

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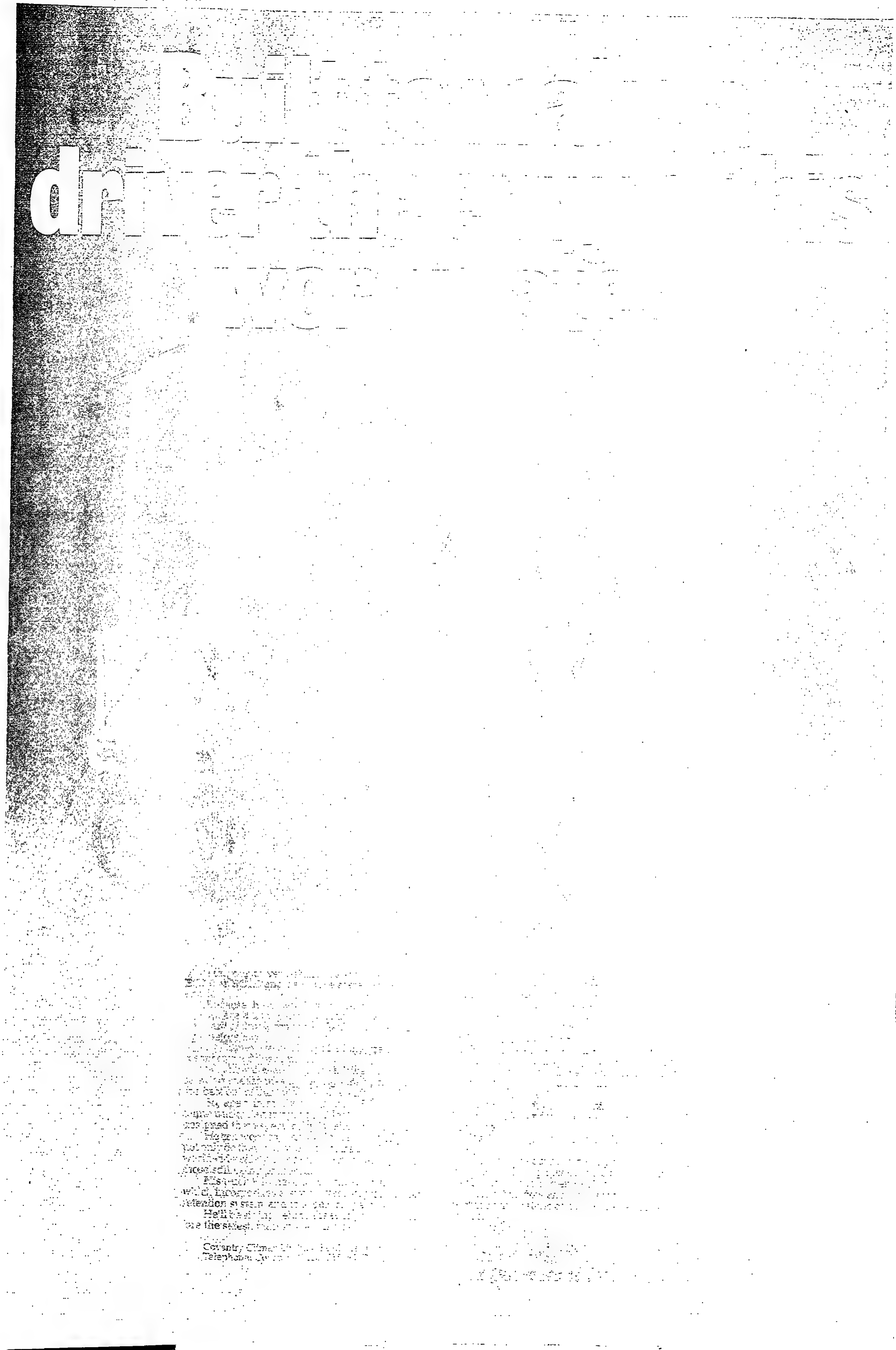

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Waste paper used to insulate ceilings

RECYCLED waste paper is the basis for a new form of insulation for the ceilings of buildings and shown to be an excellent heat barrier through its use on a number of buildings in the U.S., where it was developed.

K-13 is being made by Cibco Insulations in Washington, Tyne and Wear (0632 465754) and, the company says, is a low-cost form of insulation primarily because the major ingredient is waste paper. This is treated to free the fibres and make them resist fire, mildew and moulds. The fibres are hollow and form an interlocked mesh that traps air and thus provides a good barrier to heat transmission.

Contractors apply the layer with an admixture of a liquid bonding agent in thicknesses typically of one inch, using a one-pass, high pressure spray technique. Fibres adhere to most common construction materials and the layer cures to a durable surface with a good decorative finish.

Glass will retard fire

DEVELOPED AT the Battelle research laboratories in Geneva, Switzerland is an interesting construction industry product that has been called Fire-Glass.

Derived partly from work the group has been doing on fire-retardant coatings for timber, the experimental material is transparent and can be used as a window. It consists of glass layers laminated with an inorganic compound that intumesces when exposed to heat or flame.

This means that if fire impinges on the glass, the outer surface will break off and the layer of intumescent compound will swell to form a thick layer of opaque white foam. This layer retains the structural integrity of the window and, at the same time has low thermal conductivity so that progress of the fire through heat radiation is prevented or retarded.

Fire-Glass is made from cheap materials and is comparatively easy to make, Battelle reports.

● ENVIRONMENT

Lessens noise from ventilation ducts

GROWING PUBLIC concern with the problem of noise control in the environment, and the fact that this hazard has a high priority under health and safety legislation, has inspired researchers at Salford University to provide a computerised *design study—now an* invaluable aid to a heating, ventilating and air conditioning manufacturer.

The University's Industry Centre and Acoustic Faculty will receive royalties from its study of attenuators which has resulted in the development of a range of in-duct attenuators to match sound control requirements of an air distribution system made by F. H. Biddle, Newtown Road, Nuneaton, Warwickshire (0682 384233).

The company says it may have had to spend tens of thousands of pounds, and perhaps up to three years of gruelling effort, to achieve the Salford design.

The products are designated S-Pak attenuators. Constructed of rigid 1.5 mm galvanised sheet, they have built-in flanges for additional strength and units are available with a combination of splitter and airway widths for optimum attenuation.

There is a range of acoustic media to provide attenuation for normal comfort air conditioning needs, or for more highly specialised requirements needed, say, in hospitals and the food and pharmaceutical industries.

● COMPONENTS

Indicates liquid level

IN A simple, reliable liquid level indicator switch from the 30-98 Company, Victoria Road, Burgess Hill, West Sussex, the increase in liquid height as the pre-selected level is reached compresses an isolated column of air which actuates a diaphragm followed by a trip switch.

Regardless of the rate of rise or fall of the material, which can be a slurry or a sludge, it is claimed that the system remains extremely reliable in use and there is no possibility of contact between the measured fluid and the electrical control devices.

The unit is normally operated so that the diaphragm is horizontal, but it can be arranged in other positions without the reliability being impaired. Indication can be sited up to 100 metres from the storage container.

Construction is to suit the applications: for example, Neoprene is the normal material for the diaphragm but it can be *supplied in Teflon for temperatures* above 80 deg. C.

More from the company on 04446 43461.

● PROCESSING

Filters the sludge

FILTER presses manufactured by Von Roll of Berne, Switzerland are to be marketed in the UK. The presses, it is claimed, will obtain the driest possible substances from slurries and sludges.

Machines to be offered will range from units for handling small batches to high throughput presses in which all operations — *filtration, extraction*, transport of the filter plates and washing of the filter cloths —are push-button controlled and automatically sequenced.

Uses for the presses range from the production of dyestuffs and pharmaceutical preparations to the dewatering of sludge from municipal and industrial wastes. Marketing in the UK will be by Robert Speck, 34, Veda Road, London SE13 7JG (01-690 3326).

Coats car components

A NEW powder-coating plant capable of coating up to 25,000 car components each week has been successfully designed, built and installed by Mindon Engineering (Nottingham).

This conveyorised system is now in use at the Premier Lamp and Engineering Company in Peterlee, Co. Durham. It has a manual epoxy powder spray unit' utilising the "airstatic" system available in the UK through Mindon, coupled with a double-sided powder recovery installation of the cyclone type and a Mindon double-pass tunnel oven capable of meeting continuous high production levels.

Mindon Engineering, Brookhill Industrial Estate, Station Road, Pinxton Nottinghamshire. NG16 6NS.

Grinds and then mixes in liquids

IN RESEARCH and development in the chemical and pharmaceutical industries, processing requirements often overlap, as for example, the need to comminute a solid to sub-micron sizes, the powder particles of which must then be dispersed in a liquid. Initially, only a few grammes of product may be needed, followed by kilogrammes for further probes.

In this kind of research and development separate items of equipment may be required, some of the items having only limited future use, once the initial stages of a project have been negotiated. Wastage of such equipment says Pilamec, which designs and makes high energy vibrational ball mills, can be avoided by using its latest multi-function unit.

Heart of this unit is a laboratory vibration mill with two specific functions: comminuting *on a continuous-flow or batch* basis, dry or wet materials. By coupling this high energy mill to a pump and tank, one can disperse the finely ground material in liquids, preparing, if desired, 40 kilos of end product.

If dealing with a costly substance, available only in grammes, the tubular stainless steel processing chambers can be quickly removed and replaced with non-metallic containers and grinding media.

More details can be obtained from Pilamec at Harbour Road, Lydney, Glos. GL15 4EJ (05944 3000).

Temperature of water controlled

FOR USE by the plastics industry in injection moulding, blow moulding, extruding and other heat cycling processes in paper, printing and the food industries is a water circulating temperature control system from Thermal Press Control, 40 Clarendon Road, Watford, Herts. WD1 1HA (0923 46830).

Consisting of pump, heating and cooling chambers and a temperature controller, the model 3095 for example can be free-standing or rack mounted.

Temperature is shown on a digital display and is controllable to a maximum of 95 deg C and an accuracy of plus or minus one deg C, using a vernier control on the front panel.

A proportional heating system is used to achieve close control and energy economy, and the unit has a high indirect cooling capacity, fully automatic filling and air elimination, safety thermostats and a mains isolated low voltage control system.

Control panel contains buttons and lamps for pumping, heating, cooling and temperature setting and if required it can be mounted remotely and in proximity to the controls of the machine with which it is associated.

● DATA PROCESSING

Disc has large capacity

WITH SEVEN times the capacity of the largest flexible disc store but occupying the same small space, an eight inch rigid disc drive from Memorex holds 11.7 megabytes on two platters.

Designed for original equipment manufacturers (OEM) the Model 101 is aimed at small business equipment and word processing, where more powerful systems will become possible with no additional use of space.

A significant design feature is the use of a direct drive spindle motor and the consequent elimination of belts, brackets and side-loaded bearing wear. Reliability is thus enhanced and the company has benefited from a cost reduction due to a lower parts count.

Weighing less than 20 lb and measuring 14 x 8.5 x 4.4 inches, the drive is very accessible and has its electronics package mounted on the bottom of the head disc assembly for easy access even while the drive is running.

Memorex is at Staines, Middx (0784 51488).

Very fast data printer

A FLIGHT time of only 180 microseconds for the print wires is achieved using a stored energy technique in the PB-600 dot matrix printer from Florida Data, available in the UK from Sintrom Ellinor, 14 Arkwright Road, Reading RG2 OLS (0734 85464).

Coupled with an electronics design in which an internal micro continually examines the *data buffer to determine where* the head should move next, the net result is a printing speed of 600 ASCII characters/sec at a line rate from 230 to 1200 lines/min according to length.

The stored energy method involves holding the print wire cocked against an attached spring by a magnet and then cancelling the retaining magnetic field by an actuating solenoid. A bonus is reduced head power dissipation, permitting 100 per cent duty cycle. The head life is claimed to be a billion characters.

Format is 132 columns with *characters formed by a 7 x 7 dot* matrix or 7 x 8 lower case. Form size is up to 380 mm (14½ in) and multicarbon can be used to produce up to six copies and the original.

● ENERGY

Batteries might feed grid

A PAPER given by A. Hart and J. Talbot of the Central Electricity Research Laboratories, Leatherhead, at the recent ERA Battery Symposium indicates that by the end of the century it is likely that up to 15 GW (15bn watts) of power will have to be provided from batteries which will have "soaked up" nuclear power during the night.

The philosophy will be to keep low running cost nuclear plant operating at periods of low demand and replace the (then) relatively expensive fossil-fuelled generators at peak times. By the turn of the century some 30 per cent of UK electrical power will possibly be generated from nuclear stations.

Present thinking at CERL is that only the zinc/chlorine and sodium/sulphur battery couples show signs of offering a clear economic gain, although lead acid and nickel iron/air offer a "reasonable chance" of meeting the financial targets.

There is no question of some huge national battery sites. Instead, the cells would be situated close to the consumer and would smooth the load on the distribution network. Likely siting would be at favoured 33kV/11kV substations. Such units might even fit in with district heating schemes, utilising the waste battery heat generated during the daily charge and discharge.

The laboratories believe that suitable cells will emerge from the work in progress on vehicle traction. For example, sodium sulphur cells are under development in the UK by Chloride Group, British Rail and AERE and in the U.S. by General Electric. But there are problems affecting cycle life such as cracking of the seals and ceramic tubing and corrosion associated with the sulphur electrode.

In the U.S. a development called BEST (battery energy storage test) is underway which will enable batteries to be tested in operation with the local utility network at Hillsborough, New Jersey. It is intended to install and operate a 5 MW zinc/chlorine battery by 1981 and a similarly powered sodium/sulphur unit by 1985.

● PACKAGING

Labelling machines debut

TWO LABELLING machines will be making their UK debut at the Packaging Index—London Exhibition which is being held from November 6 to 8 at the Wembley Conference Centre.

The machines are manufactured by Prontophot Hapa of Switzerland and Machines Automatiques Ciliotta of France. Both will be demonstrated on the Smith and McLaurin stand.

The Hapa 411 is a roll fed labeller for ampoules or small bottles, and the machine is claimed to be unique in taking plain rolls of delayed action heatseal material and carrying out the complete printing of two-colour labels.

The other labeller to be shown will be the Ciliotta Cilmatic, which will be set up for the high speed application of roll-fed labels on to round bottles. This machine can also be used for "stack fed" labelling and can apply front back and neck labels on to bottles and containers of virtually any shape.

More information can be obtained from Smith and McLaurin, 55 West Street, Marlow, Bucks, SL7 2LS. (062 84) 72249.

● SAFETY

Marketing agreement

POWERED smoke extraction units for commercial and industrial premises designed by American Coolair Corporation of Jacksonville, Florida, are to be manufactured under licence and marketed by Gradwood of Stockport, Cheshire.

Gradwood, which specialises in fume extraction and ventilation equipment combined with heat reclamation systems, both designs and fixes complete installations.

Among the large number of Coolair ventilators to be marketed is a powered smoke extraction unit which will withstand temperatures up to 600 degrees F for five hours. This will be one of the leading items of equipment to be promoted by the British company which has its headquarters at Edgeley Road, Stockport, Cheshire

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Building and Civil Engineering

East Java dam redesigned

THE MAIN construction contract for the Sampean Baru Dam in East Java has been awarded to an Indonesian contractor, P. T. Nindya Karya. The latter will receive assistance from Lossinger of Switzerland under a technical assistance agreement.

The Sampean Baru project was conceived originally by Dutch engineers in the 1980's but it was not until the Japanese occupation in the early 1940's that construction was begun. The masonry spillway, canal intake and embankment dam were substantially completed by 1945 when the main embankment was washed away by a flood and the project was abandoned.

Following several feasibility studies between 1947 and 1973 by other consultants, Sir M. MacDonald and Partners were awarded in 1975 a contract by the Indonesian government for the detailed design of the dam and associated irrigation system including rehabilitation of existing structures. A new site for the dam was chosen and in due course an entirely fresh design was completed for a site downstream of that originally considered.

Now called for is a mass concrete dam, 160 metres long with a maximum height of 45 metres above lowest foundation level, flanked by earthfill embankments which increase the overall length of the dam to 780 metres. A gated spillway designed to discharge 2600 cubic metres per second will be incorporated in the dam.

The main construction contract is scheduled for completion in 1984. The dam itself will cost about £8m and construction will be financed with the aid of a World Bank loan, though finance is still required for the associated hydroelectric sets which will supply additional power to the planned East Java regional grid.

The dam will feed the Sampean Baru irrigation canal system which comprises some 43km of main canal and over 120km of secondary canals irrigating a total area of 9,300 hectares. Construction of the canal system, which is costing a further £14m was divided up into 55 separate contracts to enable the smallest local contractors to participate in the scheme.

More railway work in Hong Kong

A FURTHER £8m rail engineering contract in connection with the Hong Kong Mass Transit Railway has gone to the Henry Boot/Gammon joint venture which has already nearly completed a £12m award for permanent way work on the 15.6km modified initial system double track main line.

The new contract calls for the provision and laying of a 10.5 km double track main line, points and crossings, the track bed, ballast and all ancillary components associated with the track for the whole of the Tseun Wan extension.

This double track is to be supported on continuous concrete plinths, 7.5 km of which will be in tunnel and 3 km on overhead concrete structures. The continuous concrete support plinth, first installed on the modified initial system, is stated to be a unique concept which offers amongst other benefits an extremely smooth ride.

Main civil construction work on the Tseun Wan extension is already well advanced. Henry Boot/Gammon's initial involvement will start next April with track construction programmed from September 1980 to February 1982.

All rail will be supplied by the British Steel Corporation, and the total benefit to UK in goods and services is said to approach £3.5m.

Loan facilities to finance both the local and the UK element of the work have been arranged by Lazard Brothers.

Contract in Libya

A TRAINING centre is to be built at Ghat for the Libyan Government by the Lowton Construction Group. Value of the contract is £5.7m.

Back in the UK Lowton has started on 111 houses at Heatherbrook for Leicester City Council (£1.3m) and at the Sheaffer Eaton Textron factory, Hemel Hempstead, Herts where major extensions are to be built.

To build office block

TRUST SECURITIES Holdings has awarded Sir Robert McAlpine and Sons a £3m contract to build an eight-storey 58 metres by 20 metres on-plan office block at the corner of Altyre Road and George Street, Croydon, Surrey.

It will be of reinforced concrete frame construction on piled foundations and will be brick-clad externally and air-conditioned.

The architects are the Project Design Partnership and work now starting is due for completion by mid-1981.

Rush & Tompkins awards

WORK ON five new contracts worth about £2.76m has just been started by Rush and Tompkins.

The largest job is the construction of Slade Green telephone exchange in Erith, Kent, for the Post Office Corporation (Telecommunications). This is valued at £925,000 and is due to be completed in 18 months.

The company has also won a £710,000 contract from the Thames Water Authority for a control building at Merton Abbey works, in South-West London.

In Central London Rush and Tompkins is working on a £440,000 office refurbishment for the Royal Bank of Scotland on the corner of Whitehall and Trafalgar Square while in South-East London it is refurbishing New Cross bus garage for London Transport Executive at a cost of £547,000. Further south it is constructing a warehouse for Wavin Plastics at Ashford, Kent, under a £142,000 contract.

Will erect factories

ADVANCE factories are to be built by C. Bryant and Son for Peterborough Development Corporation.

The £2m contract is for the erection of 25 single storey unit factories at Orton. Thirteen of these will have two-storey integral offices, the remainder single storey offices.

Warehouses and factories

WAREHOUSING and a factory modernisation are being carried out by Laing Scotland under two contracts together worth more than £1.4m.

In Paisley, Laing is to build two single-storey warehousing units under a £965,000 contract for the Abbey Life Assurance Company. Work is to start this month with completion expected by June 1980.

Both buildings will be constructed with strip concrete foundations and steel portal frames with part coated steel and part brickwork cladding and asbestos sheet roofing. Architects are Greenock and Will; consulting engineers, Wragg Threapleton and Company and quantity surveyors, Muirhead Muir and Webster.

On the Queenslie Industrial Estate, Glasgow, Laing has started work on a £440,000 factory modernisation contract for the Property Services Division of the Scottish Development Agency. Completion is expected by June next year.

Work includes the demolition of existing offices, a new front wall, strengthening of the roof structure, replacing the roof covering, new services installation and some external works.

Architects are Boswell Mitchell and Johnston: consulting engineers, H. L. Waterman and Partners; mechanical and electrical consultants, Hulley and Kirkwood and quantity surveyors, Thornburn Sinclair and Howat.

Designing for the disabled

A NEW code of practice from the British Standards Institution aims to improve facilities in public buildings for the disabled.

BS 5810 Code of Practice for Access for the Disabled to Buildings details the basic provisions necessary to ensure that buildings are convenient for people with problems of mobility, sight and hearing. Though it necessarily concentrates on new buildings, where the greatest improvement in the general conditions for the handicapped can be made, it also provides guidelines for the adaptation of existing buildings.

Copies of the code may be obtained from British Standards Institution, 101 Pentonville Road, London N1 9ND. Price £4.80 (BSI Subscribing Members £2.88).

Small road roller

A VIBRATING road roller designed primarily for use on footpaths, small drives and car parks has been produced by Atkinson's of Clitheroe.

Powered by a single-cylinder diesel engine (15.5hp), the unit has a roll width of 900 mm. Hydrostatic drive to the twin rolls of the machine gives speeds up to 5 km an hour forward and in reverse. A totally enclosed cab is an optional extra.

The roller was developed in a joint venture with Tarmac.

Saudi air terminal

ERECAMO is hoping to break into the South American market, not South African as was erroneously reported on this page on September 3 when describing Belgian participation in the construction of Saudi Arabia's first city air terminal.

£4m council housing by Cubitts

PUBLIC SECTOR housing contracts totalling more than £4m are being undertaken by Cubitts.

In the fourth phase of modernising homes at Nottingham's Lenton Abbey Estate, 58 units are being dealt with under a contract, worth £423,000. At Low Hill a further 200 council homes are to be modernised for Wolverhampton MBC under a £1.7m contract, while in Derby, Cubitts is to improve 33 homes. This work includes providing insulation, installing central heating and rewiring (£162,000).

Other work includes a £470,000 contract for 37 bungalows and 10 houses at Shirley for Solihull MBC, and 51 new homes under a City of Sheffield contract worth £643,000 forming phase 1A of the Meadowhead development.

In Nuneaton, Cubitts is well under way with 52 flats at Bedworth, and has just received an additional contract for 22 houses and bungalows, bringing the total value of work to £890,000.

Variety for Bullock

CONTRACTS totalling £1.27m have been won by D. T. Bullock and Co.

Dudley Metropolitan Borough Council has placed a £500,000 contract for the modernisation of 117 houses and an industrial unit at Moons Moat North Industrial Estate is to be built for Redditch Development Corporation at a cost of £286,000. East Staffordshire District Council has awarded a £200,000 contract for industrial units at Barton-on-Trent and civil engineering works at RAF Defford (£288,000) is to be carried out for the Property Services Agency.

Furniture superstore

PART OF the Olympic exhibition complex in West London, Empire Hall, is being converted into a furniture superstore and offices for UKAY Furnishers.

Joint developers, Allied Retailers and Town and City Properties have awarded the £1.5m building contract to D. Wilson (Birmingham).

Reinforced concrete stairs, escalators, lifts and 215,000 sq ft of suspended ceilings are to be provided together with sprinkler systems, heating, electrical and fire alarm installations. The scheme will also provide 48,200 sq ft of air-conditioned offices which are to be the head office of UKAY Furnishers.

Over £4m to Monk

AMONG THE latest contracts awarded to A. Monk and Company are housing at Milton Keynes, office building at Seal Sands, roadworks at Leeds and school building at Penyrheol, S. Wales.

Milton Keynes Development Corporation has awarded a £2m contract for erection of 34 single storey and 108 two storey dwelling in traditional construction plus external parking areas and site works.

At Seal Sands, Teesside, the Phillips Petroleum Company has accepted a £526,575 tender for extensions to the administration building and workshop offices on its refinery site north of the Tees.

West Yorkshire Metropolitan County Council has placed a £248,385 contract for construction work in Melville Road, Leeds, while in S. Wales the West Glamorgan County Council has accepted a £1.3m tender for rebuilding science and sports blocks at Penyrheol Comprehensive School.

Sea front balustrade

OVER THREE miles of ornate aluminium balustrading for Abu Dhabi's seafront is being made by Allied Engineering of Paddock Wood, Kent. Costing over £500,000 it will be used on the top of the sea-wall being constructed, as reported on this page last week, by Al Quebeisi Mowlem.

The company has already supplied over a mile of stainless steel balustrading for the Al Ghurair Centre in Dubai and a similar installation at the Abu Dhabi Trade Centre.

First deliveries to Abu Dhabi are due at the end of December with installation starting in February.

Parker Knoll extension

A SINGLE-STOREY, steel portal frame extension to Parker Knoll's production facilities at Chipping Norton, Oxon, is to be built by Bovis.

Previous contracts carried out by Bovis for the Parker Knoll group include the existing Chipping Norton factory and three jobs at High Wycombe Bucks. Work on the latest extension at Chipping Norton starts next month and is to be completed in July 1980 at a cost of about £230,000. Architects are H. Desmond Hall, and the quantity surveyors are Peter North and Partners.

Bovis is also to carry out alterations and refurbishment work at IBM's midlands marketing centre and at the P. & O. premises at Beaufort House, Gravel Lane, London, EC1.

Diverting the traffic

CONSTRUCTION OF a £2.7m link between Binley Road and London Road, Coventry, designed to take traffic round the city centre, has begun. Fairclough Civil Engineering is the main contractor.

The road, a combination of single and dual carriageways, will have three prestressed, reinforced concrete bridges, a new roundabout, turning lanes and two subways.

The most spectacular part of the project, says Fairclough, will be the construction of a "slide-in" railway bridge to carry the Rugby to Birmingham line over the new road. The company, which claims to be an expert in this type of work, will build the bridge beside the railway track then slide it into position in a 40-hour non-stop operation.

IN BRIEF

- Orders worth £168,000 have been received by companies in the George Kent group, for the supply and installation of water metering equipment for 92 deep wells being drilled by the Bangkok Metropolitan Water Authority.

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The Fed faces the issues

THERE CAN be little questioning of the boldness of the new measures introduced by the Federal Reserve Board to tackle the domestic causes of the dollar crisis; they add up, indeed, to a considerable revolution in U.S. monetary policy. The Fed has implicitly admitted not only that the basic causes of the dollar's weakness are domestic—an admission which is long overdue—but it has also tackled a number of basic weaknesses in its own methods of monetary control.

The most radical change is in the Fed's attitude to market interest rates. Although the monetary policy of the U.S. has long been based on targets for monetary growth, as in other countries, the actual day-to-day operation of the Fed have been directed to the control of short-term interest rates.

This meant in effect that if the Fed misjudged the demand for money at any given rate, it supplied such extra funds as were needed to stabilise interest rates. From now it will act directly to smooth the growth of the monetary base of the banking system, and let interest rates take the strain of any fluctuation in demand.

British experience

In other respects, though, the Americans seem willing to learn something from British experience. One of the major difficulties facing the U.S. authorities in the last two years has been the growing ingenuity of the U.S. banks in finding new ways to finance credit expansion outside the officially defined money supply—notably through the explosive growth of repurchase agreements under which the banks effectively pawn the securities they hold as reserves with their corporate customers.

The Fed has decided to tackle all these so-called "managed liabilities" by a method which seems to be modelled on the British "corset" controls. Penalties will be imposed on the growth of these liabilities beyond their present size.

Finally, the U.S. authorities have done what they can to prevent domestic borrowers from escaping the rigours of their own market by seeking cheaper credit in the Euromarkets. U.S. banks will once again have to hold reserves against their external borrowings, reversing a 1678 measure intended to encourage the repatriation of dollars, and the overseas subsidiaries of U.S. banks will suffer the same penalty when they lend to U.S. customers. This leaves a potentially profitable loophole for non-American banks running a dollar book, but not a disastrously large one.

However, this last measure is unlikely to satisfy the severer international critics of the Fed, who argue that the Euromarkets are quite capable of creating "new" dollars, and thus weakening the dollar in the exchange markets, despite any restrictions placed on the U.S. dometic banking system. The fact is that the more heavily the Fed leans on requirements for non-interest bearing reserve deposits from domestic banks to control credit growth, the greater the insulation between the U.S. credit market, where these restrictions apply, and the Euromarkets, where they do not.

The Fed has long wished to tackle this problem at root by paying interest on the reserves, as most other central banks do; but Congress, which regards the present practice as a desirable tax on bankers, always the villains of U.S. populist mythology, has resisted. As a result, the Euromarket will be partly exempt from the Fed's new squeeze, and its power to undermine the dollar on its own will be tested. It is probably overstated by the critics.

With this reservation, the new measures seem well designed to check the excessive credit growth which has been the root cause both of the dollar's weakness and of the huge U.S. deficit on current account—for an economy, like an individual, can spend above its income only by borrowing.

The real test of the policy will be set by the U.S. economy. If credit demand remains buoyant, the rise in interest rates implied by the new policy could prove very sharp; the creeping adjustment of the past two years has conditioned U.S. borrowers to small shocks. Equally, if the current downturn in the U.S. economy sharpens, the Fed may be blamed. But if the Fed and the Administration show a resolution to match the new measures, this should prove the most effective dollar package yet.

A clever move by Moscow

PRESIDENT BREZHNEV's offer to make a limited Soviet force withdrawal from East Germany should not be dismissed immediately as pure propaganda. But the West should be extremely cautious in its reaction. The forces apparently to be withdrawn over the next 12 months—20,000 troops and up to 1,000 tanks—may look impressive at first sight. But the move would do virtually nothing to diminish the vast superiority of Warsaw Pact conventional forces confronting those of NATO in Central Europe. The Western Alliance would remain on the defensive against a vastly more powerful potential invasion force.

Opening shot

Secondly, there is a need to examine Mr. Brezhnev's motives closely. It could be thought that he wants to portray the Soviet Union as a peace-loving nation to help ratification of the latest strategic arms limitation treaty (SALT II) by the U.S. Senate. But the key to Kremlin thinking undoubtedly lies in the imminence of a NATO announcement of Alliance plans to boost its medium-range nuclear strength in Western Europe. Western strategic analysts have long expected Moscow to launch a major propaganda campaign against such a move. This is clearly the opening shot in that campaign.

Indeed, Mr. Brezhnev was reasonably explicit on this point. If NATO withdrew its nuclear modernisation plans, the Soviet Union would consider restricting its own deployment of medium-range nuclear missiles in Eastern Europe, he suggested. But if NATO went ahead, Mr. Brezhnev warned that the Warsaw Pact would have to take "essential additional steps" to strengthen its security as the West would be upsetting the balance of forces in Europe to ensure NATO military superiority.

That is nonsense. The agonies that the Western allies are currently going through over their nuclear force modernisation plans are due to the unwelcome obligation they feel to try at least partly to restore a nuclear balance that has swung massively in favour of the Soviet Union. The NATO countries are grappling to find an answer to the ever-increasing threat to Western Europe posed by the Soviet SS-20 mobile missile, which can strike anywhere from Naples to Edinburgh and of which there is absolutely no equivalent in the Western armoury.

It is, nonetheless, a clever move by the Kremlin. The NATO countries are gearing themselves up to take the decision, at their December Ministerial meeting in Brussels, to introduce new missiles in Europe. These would be capable for the first time of reaching the Soviet Union. Some NATO members, such as the Dutch, and a number of West German Social Democrats, have been brought along so far by means of a compromise under which a NATO decision to go ahead would be linked to an offer of new arms control negotiations with the Warsaw Pact.

Now that the Soviet Union is apparently offering new arms control initiatives, the more doveish Westerners may be tempted to break ranks and seek to postpone a final decision on deploying new weapons.

That said, there are still good reasons for examining the Brezhnev offer seriously. If the Soviet Union really intends to withdraw conventional forces *unilaterally* from East Germany, there are important implications for the long-stalled Vienna negotiations on East-West force reductions in Central Europe. The main sticking point so far has been Soviet insistence that troop levels on either side are roughly equal, against the West's equally firm insistence that a major disparity exists in favour of the East. Equally, if Moscow is serious in its offer to dismantle some of its SS-20s, that could also be a breakthrough.

Once again, however, the West would have to be extremely wary

Sense of security

The danger is that Western public opinion could be lulled into a sense of security which would allow Moscow to continue building up its superiority without any equivalent Western response. The Soviet campaign against the neutron bomb successfully prevented its deployment in Western Europe, for the wrong reasons. If the West is not careful, it may once again give Moscow the impression that the Kremlin, through a mixture of threats and smooth talking, has a direct say in the choice of weapons the West can deploy in Europe. That is not the way to a secure future.

Scotland hits the U.S. investment trail

BY RAY PERMAN, SCOTTISH CORRESPONDENT

U.S. INVESTMENT IN SCOTTISH MANUFACTURING

Industrial Sector	1978 (£000s) Employment	Investment	Turnover	Exports
Food, drink and tobacco	4,123	93,184	174,764	32,590
Chemical industries	5,035	134,373	137,219	73,780
Metal manufacturing	1,177	5,987	20,333	4,158
Instrument engineering	9,878	30,441	98,842	59,856
Mechanical engineering	25,121	155,530	470,735	265,875
Electrical engineering	13,933	117,244	463,530	280,850
Vehicles and shipbuilding	11,886	51,499	199,444	31,142
Metal goods n.e.s.	1,388	9,925	26,346	9,005
Textiles	1,354	9,005	31,424	11,019
Clothing and footwear*	4,027	11,933	50,970	21,644
Bricks, pottery and glass	429	1,677	9,637	4,100
Paper, printing and publishing	1,049	12,607	24,497	13,694
Other (including Timber and furniture)	4,864	16,368	112,879	28,940*
TOTAL	84,264	649,773	1,820,620	839,953

* Estimates from limited data.

Source: Scottish Council Research Institute

Polaroid cameras being assembled at the company's factory in Dunbartonshire.

IN New York today the Scottish Development Agency begins a five city tour of the United States visiting major companies which are known to be thinking of establishing a European manufacturing base and trying to convince them that Scotland is the place they are looking for.

There is nothing unusual in that. The Scots, as they have known from the outset, are joining an ever more aggressive international competition in which their rivals are not only other regions of the UK and Britain's partners inside the EEC, such as the Irish Republic and West Germany, but countries in the Far East and other parts of the developing world and even individual American states, which are becoming alarmed at the outflow of investment from their own back yard.

Yet the SDA tour is controversial. The Scottish agency has so far little experience of the tough, competitive sphere it is entering. In its only real brush with the acknowledged top professional organisation in the business, the Irish Industrial Development Authority — in a tussle to secure a £40m micro-electronics plant being planned by Mostek, the Dallas silicon chip maker — it came away with a bloody nose. But it is determined to change things and is gearing up to take itself out of the amateur league that it *feels Scotland* — and Britain for that matter — has been playing in for too long.

The Irish, understandably, hardly welcome a new rival, but the SDA's progress is also being watched closely in Britain itself. Other depressed regions of the UK share with Scotland the same problems of declining traditional industries and have the same need for new investment on a large scale. But they do not have development agencies of their own with either the same independence or finance as the Scots. The SDA has been given £500m (which could go up to £800m) and with the Government about to curb its powers to invest in companies, more and more of the money will be directed towards overseas promotion.

No gentleman's approach

And there is intense interest in Whitehall, particularly in the Departments of Trade and of Industry. Although regions and even individual local authorities have been allowed to fly over the Atlantic to do their own special pleading, until now the main thrust of British effort abroad has been through the Trade Department's Invest in Britain Bureau (the IBB), which in turn acts through the embassies and consulates. The strict understanding is that the IBB's role is first and foremost to secure new investment for the UK, parcelling it out to particular parts of the country comes later. For obvious reasons, the SDA is reluctant to criticise the IBB publicly, but there is a feeling inside the agency that the gentlemanly approach of the diplomatic service has had its day and that other countries (especially the Irish with their network of offices in the U.S.) are getting to likely prospects first. In trying to beat the foreign competition, the Scots inevitably see themselves as competing with the rest of the UK.

The Scottish agency does work with the IBB and has to work with the Department of Industry, which administers the development grants that are a vital part of attracting companies to Britain. But it is also building up an independent operation of its own.

This week's tour is the second major push in the U.S., following up one in April when the agency concentrated on the South and the West Coast. This time it is the East, New York, Boston, Cleveland, Chicago and Philadelphia. A lot of time and money has been spent identifying the corporations likely to want to expand into Europe, particularly in engineering, one of Scotland's staple industries, and the fast growing electronics fields of data and word processing. At least three prospects are in view for the near future and the agency has set itself the ambitious target of attracting seven new electronics companies to Scotland by the end of 1982. The tour that opens today also coincides with the formal opening of the SDA's two-man branch office in New York, the first of a number around the world. There will be another in California, to build up contacts with the electronics firms in "Silicon Valley," an office in Brussels and probably one in Tokyo.

The Government has so far been content to let this expansion happen and to ride out the internal criticism from some members of the Civil Service. Mr. Alex Fletcher, the SDA's sponsoring minister in the Scottish Office, is also in the U.S. this week and will be keen to see how the agency gets on. Hostility in the Conservative Party has been directed much more at the agency's investment function than at its overseas activities.

There are sound political reasons why this Government, like the last one, is prepared to give the SDA its head. The provision of jobs is an emotive issue in Scotland, but there are few British companies willing or able to make the sort of massive investment that catches the headlines. This factor alone would be enough to influence many politicians, but there are other undoubted benefits to the economy brought by U.S. companies. For one thing they tend to be export oriented. The Scottish Council Research Institute estimated last year that American companies in Scotland had increased their exports by 18 per cent in real terms in the six years to 1978 to a figure of £840m.

It is hardly surprising that they should want to sell most of their output outside Scotland. The country itself is so small that it can hardly provide a big enough market for anything except perhaps offshore oil goods to make it worthwhile for a U.S. producer to set up a plant. It is as a location inside the EEC tariff walls that the country becomes attractive.

Criticisms fade away

And, as a bonus, there is some evidence from the scant research that has been done on the performance of U.S. companies in Scotland, that they are more efficient than their indigenous competitors.

Criticisms of U.S. industry used to come hot and strong from the Left, but they have died away with the rise in unemployment. Yet there are real dangers in a regional economy becoming heavily dependent on investment from outside in the way that Scotland has become in the last 30 years.

The Scottish Council estimates that some 14 per cent of the manufacturing workforce is employed by American companies, but if this figure is broken down industry by industry it is seen that the penetration is much higher in some key areas. In mechanical engineering, for example, Scotland's biggest single manufacturing industry, U.S. companies employ more than a quarter of the total number of workers, in instrument engineering it is nearer two-thirds and in electronics, the fastest growing sector, approaching a half.

The vast majority of these companies are satellite manufacturing plants with managements acting on instructions from the other side of the Atlantic on all major matters and dependent on the U.S. for new products. A few companies support genuine research and development units, but for the most part where development work is done in Scotland it is confined to adapting U.S. designs for European markets. This is particularly true in electronics. A report by consultants Booz Allen and Hamilton for the SDA concluded that only 9 per cent of the technically qualified staff in Scottish plants owned by U.S. companies were involved in R and D, with a further 26 per cent doing design engineering. In British companies based in Scotland the equivalent figure for the two activities together was 63 per cent.

Factories without an independent life of their own are less likely to be able to change quickly to meet variations in demand, and recent experience in Scotland has shown that once the U.S. headquarters of a corporation has made up its mind to close or run down a satellite plant, there is very little that can be done to alter that decision. Goodyear, for example, shut its Glasgow factory earlier this year without trade unions, local authorities or government ministers being able to secure so much as a stay of execution from the company, and Singer and NCR have drastically cut the size of their workforce while the local communities that were dependent on them stood by impotently.

On a lesser scale, the action of a multinational company in switching production from one area of the world to another may make sense in terms of an overall manufacturing strategy, but it can have a devastating effect on employees or subcontractors. IBM maintains a "full employment" policy at its Greenock plant, but regulates its production by varying the amount of work it puts out to local firms. Up to 1974, for example, the annual value of work given to subcontractors in the Greenock area was climbing steadily to over £12m. With a fall in orders the next year the company cut it by two-thirds.

UK governments of both political parties have been made painfully aware of the pitfalls of a "branch factory economy," yet faced with this or the choice of a very reduced level of investment, they have had little hesitation in deciding on which side the balance of advantage lies. Fixed investment by U.S. companies has climbed from £227m in 1972 to £650m in 1978 and is now probably nearing £800m, not including the vast sums that have been spent by oil companies on oil-related projects. Last year new projects worth around £50m were announced by U.S. companies and so far this year the total is £50m or more, most of it in expansion plans by existing companies.

But if this growth is to continue new blood must be attracted to supplement the old. The SDA is in a good position to lead a new co-ordinated drive, since it is responsible for factory building and also is able to offer equity and loans in special cases. What it does not have, however, is the complete authority to clinch deals that its counterparts elsewhere in Europe enjoy. Finacial aid for any new investment must be agreed with the Department of Industry (and probably referred to London, although many of the Department's functions are delegated to the Scottish Economic Planning Department in Glasgow) and if planning consent is required one, or sometimes two, local authorities have to be involved. In the past a number of companies which might have established plants in Scotland have been deterred by the sheer confusion of being shunted from one set of officials to another.

Even with whole-hearted support from the Government, it will be a long time before the agency can present prospective investors with one single package and one set of officials to see. But it is making progress with this aim.

Starting with its first U.S. tour in April the agency was able to keep the number in its party down by excluding the smaller district councils and confining representatives from the larger, regional authorities to full-time officials regularly involved in industrial development work. Politicians, the agency's American advisers said, were not welcomed in corporate boardrooms. But local rivalries still exist and some of the industrial development officers still refused to divulge to the tour organisers the names of companies and executives they were going to see, with the unfortunate result in some cases that two or more regional men arrived in the same waiting room at the same time.

SDA arms itself

The agency has also done as much groundwork as it can in advance of actually setting foot on American soil.

The agency has armed itself with an array of facts and figures to show the benefits of manufacturing in Scotland.

A table, in one booklet, entitled Profit in Scotland, compare days lost through industrial disputes. Among 11 countries, Scotland is shown as coming fifth. There is no indication whether the figures are for one particular year or an average over several years, but as a piece of propaganda the table makes the point neatly that Scotland has fewer days lost than several of its rivals for scarce investment, such as Eire, Italy and the UK as a whole. The blurb contrasts the "well-publicised labour unrest in many sectors of the British economy" and the "good worker productivity" of Scotland. The Scots are out to make their mark, even if they have to tread on a few corns in the process.

MEN AND MATTERS

Rumbles under a Rothschild

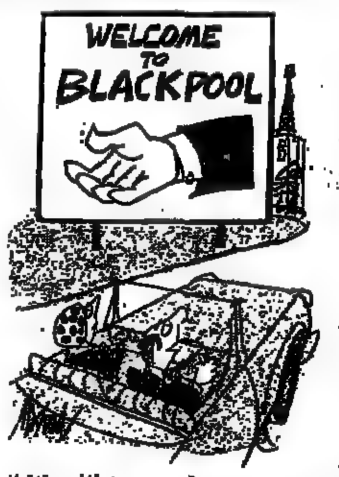
That most discreet of institutions, the Banque Rothschild in Paris, is having a discreet little strike all its own. One hundred of the 800 employees at the headquarters in the Rue Laffitte are staging what they call an "unlimited stoppage."

The tradition of urbane Rothschild secrecy is being breached by a variety of blunt allegations. A spokesman for the dissidents has accused the management of "paternalism," and added: "You get promotion and more money here if your face fits." The only managerial comment is that "talks are being held."

Members of the French banking community believe that anything so untoward as industrial action is unprecedented in the group's history. The trouble began, it is said, in the overseas department.

The strikers are being supported by the Confederation Generale du Travail—which is close to the Communist Party—and the Confederation Francaise des Travailleurs. The unions say that by their calculations, the average annual salary at the bank is £6,600 and that the starting salary is £75 a week.

The demands are for more money, more staff and equality for women. A leader of the strikers says sardonically of the head of the bank, David de Rothschild: "He's very good at making promises."



"It's either an advance warning about the hotel prices or a hint to the Leader about local spending cuts."

Tower power

When Colin Rayne walked in he did not look like a fanatic. Then I asked him about the large brown-paper parcel under his arm. "It's the Post Office Tower," he explained. "Fancy that," I said. "How about letting me have a look?"

It was the tower, all 620 feet of it (on a scale of one inch to 30 foot). "I love that building," said Rayne. "This is the third one I've made. There's no other tower in the world to compare with it." So we plugged it in. The restaurant revolved and the lights shone out from its steel and aluminium frame.

Rayne is a 37-year-old engineer, working on his own in Uxbridge making clock cases. But he became hooked on the tower ten years ago, four years after it was completed. His first model took him four years in all the time he could spare from clocks. The precision and workmanship so impressed the Post Office that it paid him £1,000 for it. The second he sold to a Mayfair advertising agency.

Although he has never met any of the team of architects under Eric Bedford who designed the tower, Rayne has pored over their plans and studied the building inside and out. "There is an enormous amount of equipment in it," he says. "And do you know that with a foundation only 30 feet deep it moves no more than three inches at the top in a 90 mph wind?"

What will he do with his third model, which is behind glass in an aluminium frame? "I'm going to display it at a Paris exhibition in a fortnight's time," he says. The French, it seems, care more about towers than we do. "One day," says Rayne optimistically, "Londoners will cherish their tallest building as much as the Parisians do the Eiffel Tower."

Casting a spell

Argument about trimming Britain's education Bill reaches a crescendo. But surely nothing should be done to reduce our proud standards of literacy. Here is a circular letter, *verbatim*, just sent out by the Olympia, West London, office of National Car Parks:

"Please note that due to miss print that the application form that has been sent are for Earls Court Car park and not for Olympia has should have been. Please refill the new application form and return to *Olympia with moneys due. Sorry for inconvience course. National Car Parks.*"

Clock watching

The common touch, whether conveyed by jogging or by taking on aggressive aquatic rabbits single-handed, has certain hazards for any national president. Even walking about being friendly can result in unexpected ridicule, as happened to Brazil's president Joao Figueiredo two weeks ago—he opened the newspapers to see photographs of a presidential "look-alike" graciously visiting the dressing rooms at the national theatre and signing autographs.

Figueiredo has now experienced a further humiliating consequence of that theatrical spontaneity—which, thanks to frequent displays of emotion, has earned him the somewhat sardonic title Joao the Weeper. On a recent visit to the ancient and impoverished city of Bahia, Figueiredo exchanged hugs with the crowd in the normal way, then entered an old church. Overwhelmed by the fervour of the faithful, the lilting music, and the beauty of the place, he was seen to burst into tears. The security guards, in keeping with the new style, kept well out of the way during the performance.

In future, perhaps, Figueiredo will go one step further towards imitating the Brazilian man in the street—when wearing a costly timepiece use a cheap watchstrap, and look out for

It transpired later that Figueiredo had something quite specific to cry about. Someone in the exuberant congregation had removed a gold watch from the presidential wrist.

Into xenomarkets

For anyone outside its charmed circle, there is often a little difficulty in knowing what has come out of an IMF meeting, except for sonorous phrases. But I have discovered one precise result of the Belgrade conclave: a new buzz-word.

It cropped up first in a communique after talks between the U.S. and West Germany, then was propelled into the stratosphere by G. William Miller, American Treasury Secretary. He commended it to journalists seeking to lend sophistication to their columns.

The new "in" expression (wait for it) is Xenomarkets. What does it mean? Take a hint from xenophobia, meaning a morbid fear of anything foreign. So xenomarkets are those outside a domestic monetary control. Authorship of the term is claimed by economist Fritz Machlup, who says: "To talk about Eurodollar markets is misleading, when the markets go well beyond Eupope and the dollar."

Over reacting

Near the haberdashery counter in Selfridge's last week, I heard a woman say to her friend: "I used to watch a lot of television, but these days I switch it off more often than I switch it on."

Observer

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FINANCIAL TIMES SURVEY

Monday October 8 1979

European Motor Industry

Demand for cars in Europe is expected to grow, but part of the increase is likely to be met by higher imports. Production is reckoned to expand more slowly, largely because of the rising cost of investment in additional capacity, and as in other major industries joint ventures and similar co-operation will probably become the order of the day.

Trend towards closer working

By Kenneth Gooding
Motor Industry Correspondent

PRIDE OF place among the year's major events in the European motor industry should probably go to the decision by General Motors, the world's biggest car producer, to expand its European capacity by about one quarter or 300,000 cars at the cost of around $2bn.

The bulk of the investment is to go into Spain for an assembly plant at Saragossa and a components facility at Cadiz. There will also be a $300m engine plant built near Vienna in Austria.

The project signals GM's determination to become as important outside the U.S. as in its home market, where it has captured a near-60 per cent share of car sales.

GM will spend $13bn at 1978 prices in pursuit of this goal over the next ten years. Money is not everything in the motor business, but European manufacturers must assume that international markets, already highly-competitive, can only become more so in future.

The new GM European plants should come on stream in 1982 and will fit into the group's "world car" strategy. This strategy is made possible by the reduction in car sizes going on in the U.S., which will make most of the cars sold there in the 1980s similar to those already on the roads in Europe and Japan.

GM's "world car" will, in the words of Mr. Alex Cunningham, vice-president in charge of GM's overseas operations, "be a vehicle which shares the same basic design and as many common or interchangeable parts as possible and which will compete successfully in the world's major automotive markets, modified and tuned to their particular requirements."

GM's move also established that Spain will become an even more important part of the European automotive scene as that country pulls down the barriers which have previously protected the local industry and works towards full Common Market membership.

Another major event in 1979, the revolution in Iran, reminded the car industry that fuel economy must be firmly established at the top of its list of priorities.

The events in Iran certainly caused Ford of Europe to pause and think again about its expansion plans. These received considerable publicity when they moved into the political arena and Ford was being "courted" by governments in Spain, France and Austria, all anxious to win the jobs which would be created if the group set up a new facility.

The debate going on within Ford of Europe is about the timing of the capacity expansion needed to meet what it expects will be its share of future demand. The group still insists that there *will* be considerable growth for passenger vehicles in Europe over the next five and ten years at least.

By the end of 1979 Ford should have decided whether it needs more capacity for the early 1980s, whether that extra capacity should be established by way of an expansion of existing plants or by the setting up of a new facility on a greenfield site.

Global

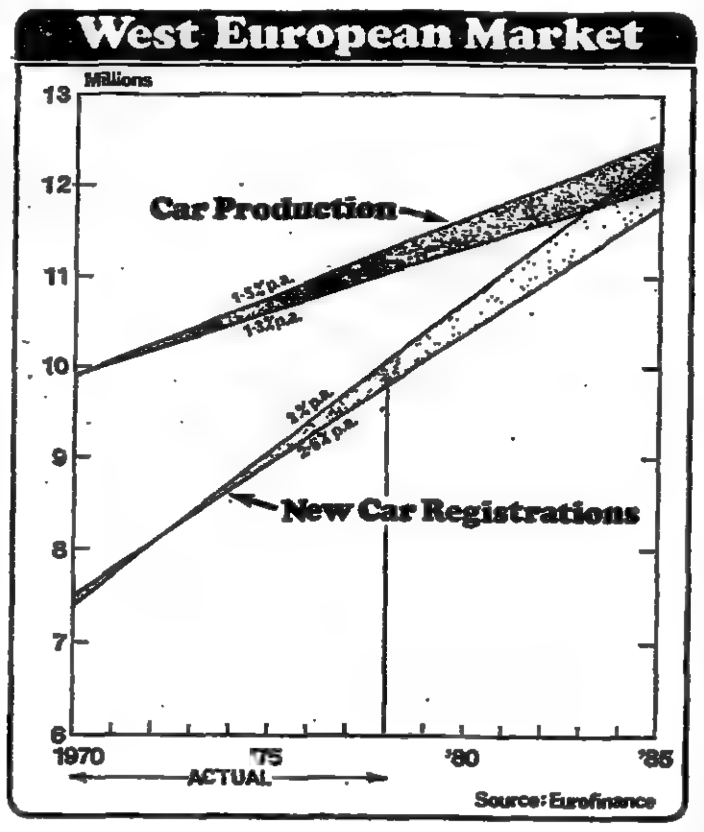
Ford of America has its own "world car" programme and the European expansion project will, if it comes, have to fit into the Ford global picture.

The major European manufacturers have recognised that they must change their policies to meet the demands of the "world car" era.

For example, Fiat, always sensitive to the requirements of international markets—its position at home is so strong there is hardly any room for expansion in Italy—is in the process of setting up its own components supply network.

Fiat's output of components will be split between plants in Italy, Spain, Latin America and Poland and these countries will also assemble cars. This rationalisation programme — designed to turn Fiat into a "world car" producer in the 1980s—has been made possible by the group's recent acquisition of a majority shareholding in SEAT of Spain and by an accord with Poland ratified in June this year.

West European Market



Source: Eurofinance

In all Fiat is to spend around £909m over the next five years to rationalise production and renew its car range.

Economists in the industry currently are of the opinion that an automotive group must be producing at least 2m vehicles a year to benefit substantially from potential economies of scale. Of course it is not essential for a group to move far from home base, or to set up a worldwide network, to reach this "magic" 2m.

PSA Peugeot-Citroen of France achieved this objective with the acquisition of Chrysler's European interests—the major industry event of 1978 but which did not take formal effect until January this year.

While the basic industrial logic of PSA's move is faultless, many people have questioned whether the Chrysler acquisition was the best way of achieving the 2m goal. And PSA has so far done little to quieten the doubters who suggest the group simply does not have the management resources to cope with the problems Chrysler Europe brought with it.

PSA intends to keep three separate "brands" in the market place — Peugeot, Citroen and Talbot (the new name for Chrysler cars). All three will develop their own distinctive models but will base them on a pool of common components.

The other point which has become clear in the past month is that PSA wants to build up the Dodge trucks business it acquired with the Chrysler interests. Dodge is working out a co-operative deal with Daf trucks of Holland which should result in them sharing the cost of developing new components and might even encompass some marketing arrangements.

The benefit of this approach for PSA is that it will not require any major capital expenditure on Dodge in the short term at least. This is an important consideration because PSA has forecast that the former Chrysler Europe will be returned to profitability — but not before the end of 1980.

The kind of investment burden PSA faces was illustrated in July when it announced Pta 7bn (about £47m) would be spent at the Chrysler plant in Villaverde, near Madrid, to modernise it and help develop a new range of cars and trucks. Significantly, Chrysler Espana was the only unit in the Chrysler Europe network to make a profit last year and PSA is clearly convinced of its viability.

The main question mark over Chrysler's capacity remains the UK plants. The future of those facilities has not been helped by the long-running strikes this summer.

PSA's neighbour in France, the State-owned Renault group, has its own "Iberian" strategy which will involve the integration of production in France, Spain and Portugal. Last November Renault signed an agreement with Portugal which effectively entrusts it with the development of that country's motor industry in 50-50 partnership with the State.

Prospect

Renault is banking on Portugal's eventual membership of the EEC—a prospect which increasingly looks a long-term rather than short-term possibility.

Renault is also one of the European groups overtly considering setting up a manufacturing base in the U.S., encouraged by the fact that the size of cars in that market is shrinking to European proportions.

This year the French group signed a deal with American Motors Corporation, smallest of the U.S. concerns, which gives it access to the AMC distribution network with the Renault 5—called "Le Car" in the States. By the end of 1979 Renault must decide whether to take up some of AMC's spare production space and start building the R 18 in the U.S.

Volkswagen of West Germany is already there of course. Its assembly plant at Westmoreland, Pennsylvania, has been on stream since April, 1978 and this year will turn out 200,000 Rabbits (known as the Golf in Europe).

Like Renault, VW must make a decision about expanding further in the U.S. before the end of this year if it is to keep up with planned progress. The group has set a target of reaching 5 per cent of the U.S. new car market—which would involve output of 500,000 a year—and can achieve it by 1984 only if a decision on a second assembly plant is taken quickly.

The company will also need a U.S. engine plant to make 1.6 and 1.8 litre engines. The most obvious solution would be for VW to set up a joint engine plant with Chrysler of the U.S., perhaps in some existing Chrysler facility. VW has been supplying Chrysler with 300,000 engines a year for its Omni-Horizon "compact" car, and a joint project would relieve the pressures on both companies—Chrysler wants more engines and VW wishes it didn't have to supply the American group with any at all.

However, negotiations have been held up by Chrysler's other, more pressing, financial problems.

VW was forced to consider local production in the U.S. because the relationship between the D-mark and the dollar made it impossibe to export built-up cars from Germany and sell them profitably

CONTINUED ON NEXT PAGE

Who's who among the manufacturers

FOUR OF the top ten motor groups in the world—measured in terms of the number of vehicles produced—are European. But the Continent is well-endowed not only with volume producers but also specialist concerns, equally eminent in their own ways, Rolls-Royce Motors being a particularly good example.

The following list covers many of Europe's vehicle assembly groups but is by no means exhaustive.

● **Alfa Romeo** of Italy. Alfa represents the State-owned part of the Italian motor industry. Its major shareholder is Finmecanica, part of IRI, the Government holding company. The group produced about 225,000 cars last year and will have a similar output in 1979. Turnover in 1978 was over $1.65bn (£767m). The assembly plants are at Arese in the North and Pomigliano in the South, where the Alfasud is manufactured.

The group recently made a strategic investigation into its future potential with the help of consultancy groups. As a result it is looking for co-operation and joint ventures in marketing, design, engineering and production but negotiations could be complicated and protracted.

● **BL** (formerly British Leyland). BL Cars until recently had its operations split between two companies, Austin-Morris for volume vehicles and Jaguar-Rover-Triumph at the low volume end of the market. Now the distinction between the two has become blurred again.

Austin-Morris's turnover in 1978 was £1.18bn and it employed 46,000. Output was 378,511 vehicles. Jaguar-Rover-Triumph, which employed 37,000 last year, reached a turnover of £936m and produced 233,113 vehicles. Assembly plants are at Longbridge, Common Lane and Solihull, all in the Birmingham area, Canley and Allesley in the Coventry area, Cowley and Abingdon in the Oxford area and Seneffe in Belgium. Some of these plants might be affected by the current rationalisation programme which is also designed to cut the 150,000 workforce by at least 25,000 while leaving capacity at between 900,000 and 1m a year.

As part of its future model policy BL is negotiating with Honda of Japan to jointly produce a mid-range car at the rate of about 85,000 a year.

BL's shares are held by the National Enterprise Board, the UK Government's industrial holding company.

● **BMW** (Bayerische Motoren Werke). In 1978 this West German group sold all the 320,000 cars it produced compared with production and sales of 296,000 the previous year. Turnover was around DM 6bn (£1.5bn) against DM 5bn. BMW has more than 30,000 employees in the car business (it also manufactures motor cycles and engines) at plants at Dingolfing and Munich.

More than half BMW's output its exported and it aims to spend around DM 4bn (£1bn) over the next three to four years to renew its model range and modernise production, adding a little to capacity at the same time. Capacity will probably rise to between 380,000 and 390,000 cars by 1985.

● **Fiat** of Italy. Fiat is Italy's largest private enterprise group with a L13,000bn (£7.4bn) turnover last year, of which the automobile group — which excludes truck manufacture — contributed L5,757bn (£3.28bn). Of the group's 346,043 employees the automobile group accounts for 151,540 (of which 124,421 are in Italy).

Fiat produced 1,325m cars last year. The main assembly plants in Europe are in Turin, Civasso, Verrone and Lingotto. The group is in the process of taking control of SEAT of Spain which has its plants at Barcelona, Pamplona and Martorell.

At the beginning of 1979 the final part of the restructuring of the Fiat group took place and Fiat Automobiles became a separate and autonomous company. Now the car business will spend more than £2.3bn ($5bn) over the next five years to rationalise production and renew its products. Component manufacturing in Italy, Latin America, Spain and Poland will be rationalised as part of this process so that Fiat can gain the greatest benefits of scale.

● **Ford of Europe.** Ford describes its European business as "the backbone of our overseas operations." Although the group co-ordinates its operations on a Europe-wide scale there are individual corporate entities in all the countries where assembly takes place.

Ford of Germany produced 544,160 cars in 1978 and reported sales equal to $5.2bn (£2.4bn). The company has 56,000 employees. Assembly plants in Germany are at Cologne and Saarlouis.

In Belgium the Ghent assembly plant, counted as part of Ford of Germany for corporate purposes, produced 289,755 cars last year.

Ford UK last year had sales of £2.22bn. It has 57,000 employees. Car output in 1978 reached 324,428, although this was adversely affected by the nine-week strike in the autumn. The car assembly plants are at Dagenham and Halewood.

Ford Espana in 1978 assembled 247,408 cars and sales were Pta 63.7bn (£0.449bn). There are around 10,200 employees at the Valencia plant.

Ford of Europe will spend £2.5bn over the next five years on developing new cars, engines and trucks compared with £550m in the three years up to and including 1978. None of that will be for new production capacity. By the end of the year Ford should have decided whether to expand capacity in Europe and, if so, whether that should be by way of enlarging existing plants or from a greenfield location.

● **General Motors.** In Europe GM operates through two subsidiaries, Opel in West Germany and Vauxhall in the UK. Under the terms of its rationalisation of the European operations, GM handed responsibility for cars for Europe to Opel and that for trucks to Vauxhall's subsidiary Bedford.

In 1978 Opel production reached 959,202 cars; in addition, 110,211 component sets without engines were manufactured for export. Turnover was nearly £3bn. Opel's car assembly plant is at Russelsheim. Its kits go mainly to GM's plant at Antwerp, Belgium, for assembly.

Opel is midway through a £1.3bn, five-year investment programme designed to iron out capacity bottlenecks.

Vauxhall Motors' turnover (including truck production) in 1978 totalled £804.8m. It produced 84,032 cars at its assembly plants at Luton and Ellesmere Port. There are about 32,800 employees.

● **Mercedes (Daimler-Benz)** of West Germany. Daimler-Benz is Europe's biggest truck producer, but last year it also turned out 393,203 cars, a slight decline from the 401,255 achieved in 1977. However, last year the group was affected by the German metal workers' strike. Some 45 per cent of the cars produced were exported.

Daimler-Benz has started a DM 10bn (£2.05bn) investment programme to cover the period 1979 to 1983 which will help increase annual car-making capacity to an annual 420,000. It will also enable a site near the Bremen plant to be used for the manufacture of a "smaller" Mercedes. The other car plant is at Sindelfingen.

Daimler-Benz also made 248,100 trucks and commercial vehicles last year, to give it a total turnover of DM 21.95bn (around £7bn) and profits of DM 474m (£118.5m). There are 173,000 employees, around half of them in the truck business and the rest in cars and engine manufacture. The turnover figure is probably equally split too.

● **PSA Peugeot-Citroen** of France. Since the acquisition at the beginning of this year of the European interests of the Chrysler Corporation, PSA has been Europe's biggest car producer.

Last year the turnover of the original Peugeot-Citroen combine reached FFr 47.8bn (£5.25bn) and to that can be added the $3.3bn sales (£1.5bn) of Chrysler Europe.

Peugeot's main car plant is at Sochaux and the equivalent Critroen facility is at Aulnay near Paris. Chrysler's assembly plants are at Poissy near Paris, Linwood, Scotland, Ryton near Coventry and Villaverde, near Madrid.

Between them the three concerns employ about 230,000.

PSA's policy will be to keep the three individual car companies operating through different marketing channels. But they will use common components from the PSA "pool" whenever developing future models.

● **Renault** of France. La Regie Renault is the car manufacturing division of the State-owned Renault concern, France's largest industrial group. La Regie contributed FFr34.2bn (£3.76bn) of total Renault sales of FFr 57.2bn (£6.28bn) in 1978. The car division employs about 104,700 and its output reached 1,240,941 cars last year.

The main assembly plants in France are at Billancourt, Flins and Sandouville. Outside France there are 26 other assembly plants, including six in Europe—in Belgium Spain, Ireland, Portugal, Romania and Yugoslavia.

● **Saab** of Sweden. This is part of Saab-Scania, which makes aircraft and trucks (Scania) as well as passenger vehicles. The company has 13,500 employees. Last year car output fell by 5 per cent to 72,500 as the division ran down stocks of Saab 99 cars in preparation for the introduction last autumn of the 900 series. The success of the 900 will lead to a substantial production increase, the latest forecast is 85,000. About 49 per cent of output was exported last year.

The car division contributed SKr 3.7bn (£39m) of the group turnover totalling SKr 11.64bn (£1.2bn) last year. The division employs around 10,750. The main assembly plant is at Trollhattan and there is another small facility in Finland.

For the future Saab is to co-operate with another small European manufacturer, Lancia of Italy, and between them they will develop a pool of components to be used for cars in both their ranges. Lancia is a subsidiary of Fiat but there is more affinity between Saab and Lancia cars than those of Fiat and Lancia.

● **SEAT** (Sociedad Espancia de Automobiles de Eurismo) of Spain. SEAT is Spain's largest car maker. Last year it produced 288,000 cars and it has 32,000 employees at its plants at Barcelona, Pamplona and Martorell.

The company is in an important stage of transition. Fiat of Italy is to take control. Previously Fiat had 34 per cent with a 36 per cent stake held by INI, the Spanish State holding company.

A five-year restructuring of SEAT has already begun. It involves an estimated outlay of $780m (£362.8m) to halve the number of models produced to three so that the minimum daily output per model can be raised to 500.

Fiat has the right to sell back the shares it has acquired if the deal does not work out satisfactorily. But for the time being Fiat intends to incorporate SEAT in its plans to rationalise car component supplies on a world-wide basis.

● **Volkswagenwerk Aktiengesellschaft Wolfsburg (VAG).** More commonly known as the Volkswagen-Audi group this is Germany's major car manufacturer. As a result of financial support given when the group ran into severe financial difficulties in the early 1970s, the West German authorities own 20 per cent of VAG.

VAG is unusual in that nearly all its DM 29bn (£7.25bn) turnover came from car sales last year. Car production reached 2,384,563. The group has only a marginal interest in commercial vehicles (through a joint deal with MAN of West Germany and 60 per cent of the former Chrysler operations in Brazil) and has only just started to spend some of its huge cash surplus on a "second leg"—it aims to acquire high-growth businesses outside the automotive sector.

It employs nearly 207,000 and the main European car assembly plants are at Wolfsburg.

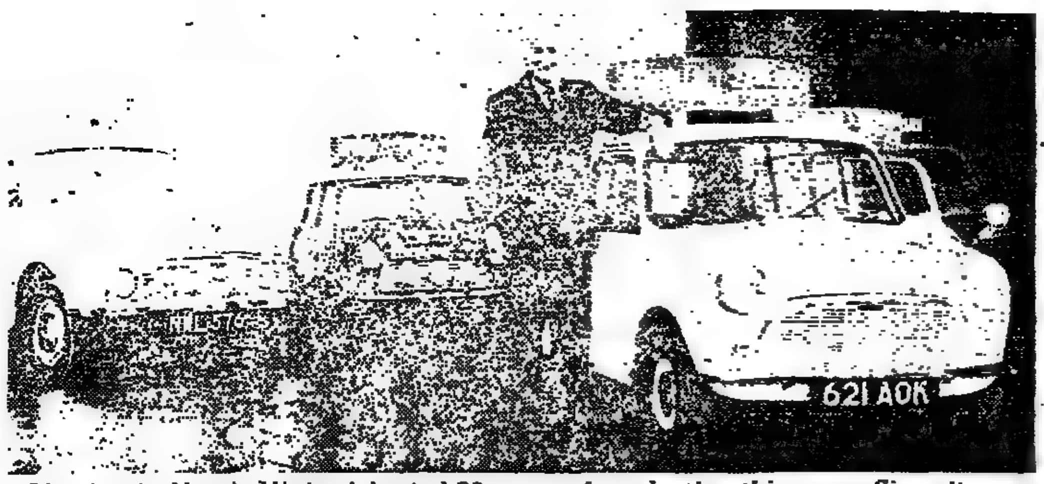
Over the next three years VAG will be spending DM 8.9bn (£2.225bn) mainly to expand production capacity outside Germany—in the U.S. and Mexico. In 1978 capital spending reached DM 1.9bn (£475m).

● **Volvo** of Sweden. Volvo claims to be the largest industrial enterprise in Scandinavia, with manufacturing and sales facilities throughout the world. Turnover of the group in 1978 was SKr 19bn (£2bn). The Volvo Car Corporation contributed more than SKr 10bn (£1.06bn).

During 1978 Volvo Car sold 278,000 vehicles and the production target for 1979 is between 315,000 and 320,000. It has more than 22,000 employees.

The main plants at at Torslanda and Kalmar in Sweden as well as Born in the Netherlands and Ghent in Belgium. Volvo also makes buses, trucks, aero engines, marine and industrial engines and construction equipment.

Kenneth Gooding



The Austin Morris Mini celebrated 20 years of production this year. Since it was introduced more than 4.5m have been made. Sir Alec Issigonis, who designed the car, is seen at his retirement party in 1971 with the first Mini and other cars which he helped to develop

THE WORLD'S LEADING 50 MOTOR VEHICLE PRODUCERS

Rank	Company	Country	Cars 1978	Trucks & Buses 1978	Total 1978	Total 1977
1	General Motors	U.S.	5,346,756	1,517,978	6,864,734	6,716,892
2	Ford	U.S.	2,557,197	1,232,931	3,790,128	3,746,639
3	Toyota	Japan	2,039,115	890,042	2,929,157	2,720,758
4	Nissan	Japan	1,733,132	689,266	2,422,398	2,278,05[illegible]
5	Volkswagen Group	W. Germany	1,640,981	93,067	1,734,048	1,689,38[illegible]
6	Chrysler	U.S.	1,136,167	489,243	1,615,410	1,710,506
7	Peugeot-Citroen	France	1,421,233	175,016	1,596,249	1,517,934
8	Fiat Group	Italy	1,325,000	138,275	1,463,275	1,393,409
9	Renault Group	France	1,240,941	180,094	1,421,035	1,454,054
10	Mitsubishi	Japan	628,886	343,932	972,818	776,412
11	Opel	W. Germany	959,202	—	959,202	935,167
12	General Motors	Canada	572,334	282,219	854,553	777,77[illegible]
13	Toyo Kogyo	Japan	493,111	357,044	850,155	800,00[illegible]
14	British Leyland	UK	611,624	131,456	743,080	770,93[illegible]
15	Honda	Japan	652,920	89,762	742,682	664,931
16	Lada	U.S.S.R.	708,000	—	708,000	700,000
17	Ford	Canada	372,296	251,285	623,581	588,80[illegible]
18	Mercedes-Benz	W. Germany	403,707	157,026	560,733	583,181
19	Ford	W. Germany	544,160	—	544,160	542,75[illegible]
20	Volkswagen	Brazil	505,562	13,054	518,616	472,1[illegible]
21	Chrysler	France	430,694	24,576	455,270	505,0[illegible]
22	Ford	UK	324,428	106,444	430,872	555,02[illegible]
23	Isuzu	Japan	102,833	305,302	408,186	340,63[illegible]
24	American Motors	U.S.	164,351	194,977	359,328	340,599
25	GAZ (Volga)	U.S.S.R.	85,000	245,000	330,000	300,000
26	Daihatsu	Japan	123,233	204,517	327,750	318,50[illegible]
27	BMW	W. Germany	311,793	—	311,793	284,77[illegible]
28	Ford	Belgium	289,755	21,715	311,470	300,00[illegible]
29	Subaru	Japan	140,229	165,220	305,449	286,645
30	Moskwich	U.S.S.R.	300,000	—	300,000	315,000
31	Volvo	Sweden/NL	262,500	30,000	292,550	255,500
32	SEAT	Spain	288,000	4,400	292,400	352,243
33	Chrysler	Canada	179,093	95,356	274,449	327,358
34	Suzuki	Japan	62,450	185,270	247,720	239,989
35	Ford	Spain	247,408	—	247,408	213,26[illegible]
36	Polski-Fiat	Poland	245,000	—	245,000	259,15[illegible]
37	FASA-Renault	Spain	225,000	15,000	240,000	237,50[illegible]
38	Alfa Romeo	Italy	222,200	1,800	224,000	203,17[illegible]
39	Skoda	Czechoslovakia	185,000	30,000	215,000	205,00[illegible]
40	Chrysler	UK	196,456	17,628	214,084	185,12[illegible]
41	Vauxhall	UK	84,032	118,398	202,430	185,02[illegible]
42	Crvena Zastava	Yugoslavia	195,000	7,000	202,000	188,83[illegible]
43	Zaporozhets	U.S.S.R.	200,000	—	200,000	120,000
44	General Motors	Brazil	148,122	47,603	195,725	154,41[illegible]
45	GM-Holden's	Australia	162,000	20,000	182,000	125,000
46	Ford	Brazil	120,335	38,600	158,935	130,19[illegible]
47	Citroen-Hispania	Spain	112,000	35,000	147,000	141,559
48	International	U.S.	—	122,424	122,424	110,894
49	Saab-Scania	Sweden	85,000	27,000	112,000	98,150
50	Ford	Australia	91,675	15,000	106,675	112,370

Source: Automotive News Market Data Book

Working

CONTINUED FROM PREVIOUS PAGE

in the US. And any European group aiming to capture a decent share of the American market must be thinking along similar lines.

So the indications are that car production in Europe will grow at a much lower rate than sales. The consensus of opinion among the European manufacturers is that sales should grow at around 2.5 to 3 per cent a year. However, production will probably advance at only 1—1.5 per cent a year.

The difference will be accounted for by fewer exports (cars made by VW in the States are "losses" as far as the German trade balance is concerned) and a higher level of imports from the U.S., Japan and developing automotive industries like that in Korea.

There is already over-capacity in Europe's car assembly business and the low level of expected growth in output is exacerbating the problem.

As GM's move into Spain shows, though, there will be new plants built in the 1980s. Many of the existing facilities are out of date or in the wrong place and of no attraction to multinationals like Ford and GM.

Apart from the uncertainties about demand for the next year or so—Ford for example estimates that sales in the major European markets will next year drop below 10m from around 10.3m in 1979—there are the problems of deciding what kind of cars will be most in demand in the 1980s.

The fuel supply problems this year resulted in a decided switch away from bigger cars. Using Ford again as the example, the group estimates that there will be a 2-3 per cent fall in sales of new big cars in Europe next year ultimately reflected in a similar increase in demand for small ones.

Ford is, so to speak, putting its money where its mouth is by cutting production of its big Granadas at the Cologne plant in West Germany by 50,000 a year and replacing them with small Fiestas.

The need for more fuel-efficient cars has resulted in the European manufacturers pulling forward new model programmes so that the next generation of vehicles—which will also be safer and less likely to pollute the atmosphere as well as less thirsty than current cars—can be put on the road all the more quickly.

Daunting

But the cost of doing this is daunting even to the profitable companies. The figures we have heard recently include:

● Fiat's $5bn (£909m), as already mentioned.

● Ford will spend £2.5bn on new and improved car, truck and engine developments between 1979 and 1985—and this does not include any provision for new manufacturing capacity.

● Daimler-Benz is spending £1bn by 1983 to bring a new "small" Mercedes on to the market by 1983.

● Volkswagen has a £2.25m world-wide expansion programme.

● And BMW, by no means one of the industry's giants in volume terms, will spend around £750m over the next three to four years to renew its range and modernise production capacity.

The pressure is on those companies which are not making adequate profits. As M. Jean Parayre, head of the PSA group, commented earlier this year "This industry is pitiless to the weak." The pressures are forcing the smaller and weaker companies to band together for protection, in particular to search for joint ventures to cover the tremendous costs of developing new components and vehicles.

Alfa Romeo, the State-owned Italian group, publicly proclaimed last month that this is the course it wishes to follow. Saab of Sweden and Lancia of Italy recently signed an agreement to work together jointly to produce components which will be used in their future car range. (Lancia already has a "big brother" in that it is a Fiat subsidiary. But there is more of an affinity between the style of cars produced by Saab and Lancia than by Fiat and Lancia.)

Perhaps the most controversial joint project of them all so far is the one proposed by BL of the UK and Honda of Japan, companies of about equal size in terms of car production. The idea is that BL should assemble a medium-sized car of Honda design. But many of its competitors are worried that this might be the prelude to closer contacts and possibly the first Japanese manufacturing venture in Europe.

BL has done nothing to dispel the fears and Mr. Ray Horrocks, chairman of BL Cars, said recently of the Honda deal: "This is the start of a relationship."

It could be that BL and Honda might between them stage one of the industry's main events of the 1980s.

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FRANCE

Pause at the peak

SINCE 1975, French car sales have gone steadily upwards without any serious setback. They are still heading in the same direction, but the curve is now beginning to flatten out and the question being asked is whether they will begin to go into reverse this winter.

The warning of generally lower sales in Europe next year, voiced strongly by experts at the recent Frankfurt Motor Show, may be extremely relevant to the situation in France.

The reasons for caution about the next 12 months are partly based on the feeling that the market cannot hold up for ever. New and near-new cars are commonplace in France; in a big city like Paris it is not easy to spot really tatty old cars on the streets any more. The pace of replacement is likely, therefore, to stagnate sometime soon, while the overall ownership rate has risen so quickly that not many new owners can be pulled into the market.

At the end of last year, France's car stock had risen to 17,780,000, compared with 17m the year before, and 11,670,000 10 years earlier.

The second problem facing the industry is the general decline in consumer buying. The car industry has so far held up much better to the belt tightening which has been going on in France since about March than almost any other consumer sector. But can this last?

The summer has brought an avalanche of rising prices, from increased social security payments, to higher rents and heating charges. At some stage consumers will have to reduce their expenditure on cars, and this is more likely to come after the almost sacred summer holiday period than before.

These financial factors are one of the reasons why the motor manufacturers have been growing very hot under the collar about higher charges for the car owner: the increasing price of petrol, which has gone up by about 30 per cent since the beginning of the year to over FFr 3 per gallon, and the proposed rise in the annual vehicle registration fee. Manufacturers of larger cars are particularly incensed about the differential rates which will be charged on bigger engines when the new rates come into force, but the general hoist can also be expected to cast a depression over the industry.

CAR PRODUCTION AND SALES

	June 1978	June 1979	Variation	Jan.-June 1978	Jan.-June 1979	Variation
Production	270,195	283,159	+4.8	1,659,430	1,716,717	+3.5
Exports	137,223	141,292	+3.0	839,757	875,757	+4.3
Registrations	183,949	182,234	−0.9	1,038,952	1,085,098	+4.4

A third factor on the debit side is the obvious problem still facing PSA Peugeot-Citroen in its attempts to absorb Chrysler Europe (now called Talbot). Quite apart from the group's difficulties in the UK, where Talbot workers have closed the factories with a two-month long strike, the company has been losing money in France and has had to cut back production from 263,000 vehicles in the first six months of last year to 216,000 in the same period this year.

Objections

In addition to these difficulties, PSA has also run into a problem in one of its principal export markets in Nigeria. Peugeot runs this plant in Kaduna, northern Nigeria, by airfreighting parts from France, but the Nigerian authorities have recently put up objections to this policy on the grounds that they would prefer greater use of the ports for imported products.

The Nigerians are also, it seems, interested in increasing the number of locally-made parts going into the Peugeot cars, which are now being produced at the rate of about 35,000 a year at Kaduna. The authorities have given Peugeot until the end of September to find a solution but, whatever this might be, it is clear that the French company will not have quite such a privileged position in the market as before. Last year, for example, the screws were put on the group's direct exports of built-up cars from France, to bring down the total to 8,000 from 28,000 in 1977.

A more general criticism of the French industry at present comes from some analysts who feel that the domestic manufacturers are less well placed to ride out the next market depression in Europe than their German competitors. This view probably owes something to the current envy in France of the German industrial system, which is frequently cited as the model that France should be following. But it is also based on the feeling that the German companies, particularly Mercedes and BMW, are better placed in the luxury saloon market, which suffers less during a slump and which has higher profit margins. Even Volkswagen is better placed than the French producers because of its Audi division.

The other side of this argument, however, is that the French possess an industry which is already exceptionally well adapted to the energy crisis. Although the average engine size in French cars has been growing steadily over the last few years, it is still only about 1.3 litres, and there is much less mystique about large vehicles in France than elsewhere. This ought to give the French a good position in a world which is looking for energy savings and, indeed, has probably helped produce the rise in exports this year.

The buoyancy of exports is one of the strong points of the French industry at present. Last year, the PSA group and Renault easily headed the list of French exporters, with sales of FFr 19.2bn and FFr 17.4bn respectively in overseas markets—the first time that PSA has beaten its nationalised rival in this area.

Exports have continued even more strongly this year, rising by a total of 4.3 per cent over the first six months from 840,000 vehicles to 876,000. At the same time, output of cars made from kits overseas has gone up by 1.2 per cent from 263,000 to 267,000.

This vitality in overseas markets is proof of the vigour of the French search for export outlets over the last 10 years. Led first by Renault, but followed by Peugeot and Citroen, who began to move seriously in the rest of Europe at the beginning of the 1970s, the French now have reasonably comprehensive distribution networks within the EEC area. Renault in particular has consolidated its position in continental Europe and is now concentrating on establishing a stronger base in the UK.

Outside the EEC, the main French effort over the last few years has been in Spain and Eastern Europe. In Spain, a country in which the French have taken a particular interest in the last few years for both political and industrial reasons, both Renault and Citroen are well established. In addition, the PSA group has added to its interests with the takeover of the local Chrysler subsidiary. In Portugal, it is Renault which has been chosen as the main vehicle for expansion of the country's motor industry.

France's position in Eastern Europe is very largely due to Citroen, which has pursued a policy of either supplying licences of existing models or designing special vehicles for overseas manufacture. The deals are varied, some based purely on licensing, others on the supply of components, but they mean that the French now rival the Italian Fiat group as the leading industrial collaborators with Comecon.

Agreement

Citroen, for example, has a licensing agreement in Yugoslavia, a contract in Rumania to produce an entirely new car due to be launched shortly, and is building a plant in East Germany to make parts for front-wheel-drive cars. It is also negotiating agreements for the modernisation of both the East German and Russian industries. In Yugoslavia, Peugeot also has a licensing agreement for the manufacture of its 305 and 504 models.

Given the strength of their exports and the continuing growth of their home market, the French manufacturers have been able to keep their factories moving at almost full capacity this year. Output, over the first six months, went up to 1,717,000 against 1,659,000 in the same period last year, a rise of 3.5 per cent. This suggests that the record production total of last year—3,111,000—may be passed in 1979.

However, the hopes of achieving this target clearly depend on whether or not demand holds up during the autumn and winter. In France at least, there are some indications of a slowdown in the market. In June, sales actually dropped slightly compared with the same month last year, going down by almost 1 per cent to 182,000 vehicles.

So far, this dip has made little impression on the overall running total for the year, which has shown a sales growth of 4.4 per cent to 1,085,000 cars. But the manufacturers clearly will be watching anxiously for signs of how the market will move during the next few months.

Terry Dodsworth

BRITAIN

Looking at the record

THE CONOCO-JET oil company, with a well-intentioned attempt to encourage UK motoring journalists to stop constantly sniping at their home manufacturers, has offered a prize this year for the writer who produces an article "which gives a constructive view of the (British) industry's ability to fulfil its role as an export-earner, justifying the confidence of the public and having regard for the high levels of investment."

Let us look at the record so far this year and see what can be done:

To start with, there is BL, Britain's last foothold in volume car manufacturing. The year did not start too badly. Sir Michael Edwardes had reorganised the management structure so that it was more responsve and flexible.

Unfortunately, the BL management has had to respond to unfavourable events. Shaken by its failure ot retain UK market share—whch in 1979 will now probably be 20 per cent instead of the hoped-for 25 per cent—and by the fall in the value of the dollar compared with the pound, thus weakening the group's export potential, the management has opted for further Draconian measures.

In particular there are a further 25,000 jobs to be eliminated on top of the 14,000 already scheduled to go under the terms of the productivity scheme. More plants are to close, leaving BL with a nominal capacity of between 900,000 and 1m cars a year.

On the positive side the group has brought forward its new car programme—but that won't make any impact in the market place until late next year with the introduction of the Mini Metro.

There is more to the UK industry than BL alone, of course. And what of those companies with British bases, but with overseas owners? At Vauxhall Motors this year, a West German, Herr Ferdinand Beickler, was appointed president and managing director. This put the final touches to a programme which stripped the British manufacturer of any responsibility for car development.

Vauxhall is owned by General Motors of the U.S. and GM decided some time ago to give its German subsidiary, Opel, the responsibility for developing cars for Europe. Now, disatisfied with Vauxhall's production record, GM has posted in Herr Beickler (who started as an apprentice with Opel, in 1937), to sort out the problem, if he can.

This was also the year when Sir Terry Beckett, Ford's UK chairman, said in public what he had long been suggesting in private—that, for some reason, the British workforce is not suited to the job of assembling cars in volume.

Both GM and Ford complain that their UK car assembly plants are not reaching anytihng like nominal capacity. They argue: how can we consider any further expansion of capacity in Britain?

Threatens

UK car output has indeed been at a very low level this year and threatens to be even worse than in 1978 when the nine-week strike at Ford adversely affected production.

A contributory factor has been the long-running dispute at Chrysler UK—sorry, Talbot UK. The company first suffered production dislocation when the Iran crisis halted output of the car kits it sends to that country for local assembly—a 100,000-kits-a-year contract.

Just as the Iranian problems eased, the current pay dispute began.

The Chrysler UK employees were warned that the new parent company, PSA Peugeot-Citroen, would have to consider plant closures if the dispute had dragged on much longer.

It has not just been disputes within the car industry itself which have dented the production record this year.

The hauliers' dispute early in the year prevented vital components reaching some car plants, resulting in cut-backs in output.

The industry did very well in the early summer months to make up for that set-back. But this autumn it has been bedevilled by the national engineering dispute which, once again, has given component supply problems.

As a result, some knowledgeable observers reckon that Britain's car output will fall a further 3 per cent this year to around 710,000. Last year's 730,000 represented a 3 per cent decline from the 1977 level.

All this has happened at a time when demand for new cars in the UK has been extremely buoyant.

Jumped

In 1978 registrations of new cars jumped 20 per cent to 1.592m. This year, many people in the industry confidently expect new car sales to top the record set in 1973 and reach 1.683m (up another 6 per cent).

The gap between UK output and UK demand has been filled by imports.

In the first eight months of 1979 the importers' share of the UK market reached 55.8 per cent. In August alone, the record monthly level was achieved—58.4 per cent of all new cars registered were imported.

The major influence has been Ford's ability to supply because it has structured assembly on a Europe-wide basis. Although its UK plants were often plagued by production troubles, Ford could bring in Cortinas from Ireland, Belgium and Germany, Granadas and Capris from Germany and Fiestas from Spain and Germany.

By the end of August, 49.4 per cent of all new Fords registered in the UK had been imported or 179,046 out of 362,426 cars. Ford had imported more cars in eight months than all the Japanese importers in a full year.

There have been some in the UK industry who argued that the growing complexity of the car business where, for example, a casting for an engine-block might be imported to the UK to be made up into an engine that will be exported to go into a vehicle finally assembled in Spain and then sold in Britain, means we should forget about where the cars are assembled and, instead, concentrate on the overall automotive balance-of-payments figures.

Sad to say, that criterion shows dramatically the parlous state of the UK industry in 1979.

It is very likely that, for the first time, Britain will go into the red on its automotive trade with the rest of the world.

In the first six months of 1979 the trade deficit was £200m compared with a surplus of £483m in the same period of 1978 and £1.33bn in the first half of 1977.

Exports in the first six months of this year were 2 per cent down on the same period a year before at £2.049bn. Imports were 40 per cent up at £2.24bn.

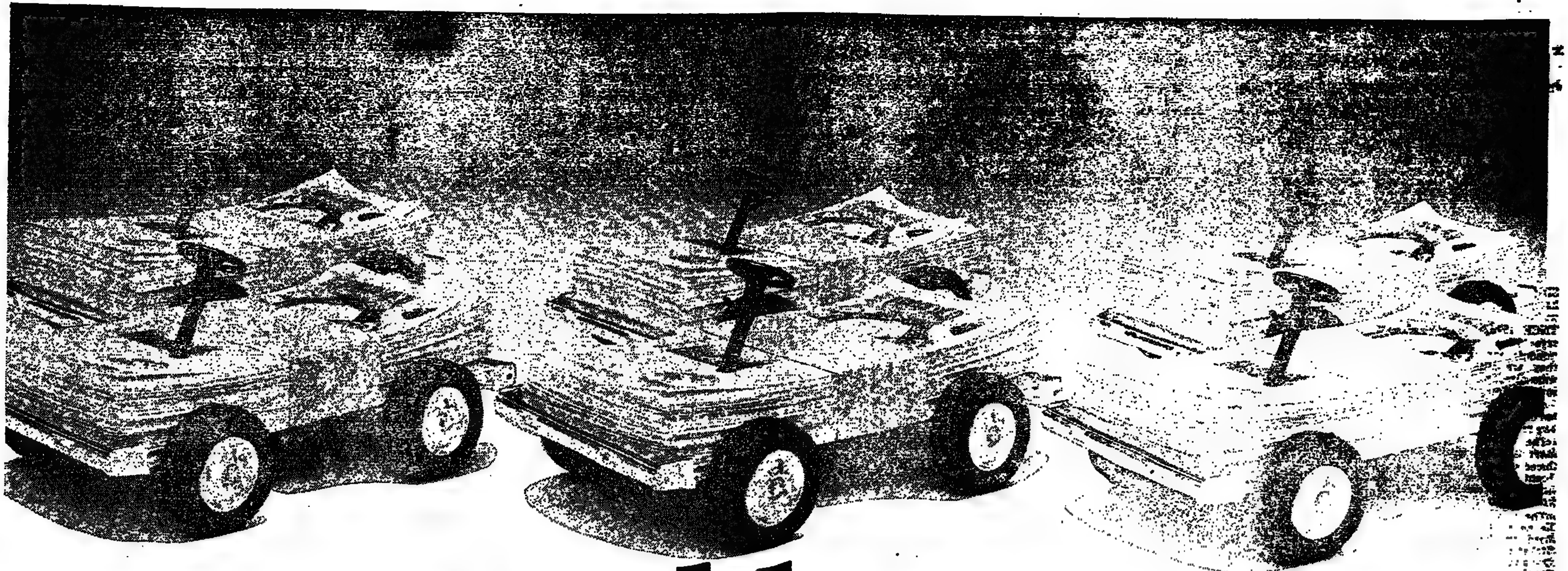
And the biggest change was in the trade in cars where exports were down 12 per cent on last year while imports were 53 per cent up.

Next year the pressure should ease because demand is expected to fall—the general view is that there might be an 11 per cent drop to around 1.5m new car registrations.

But, while that is good news on the balance of trade front, it does not leave the UK car makers feeling particularly happy about prospects for 1980.

All in all, it looks as though Conoco's timing could hardly have been worse, even for someone determined to look on the bright side of any situation. Still, the winning article, when it appears, should make interesting reading.

K.G.



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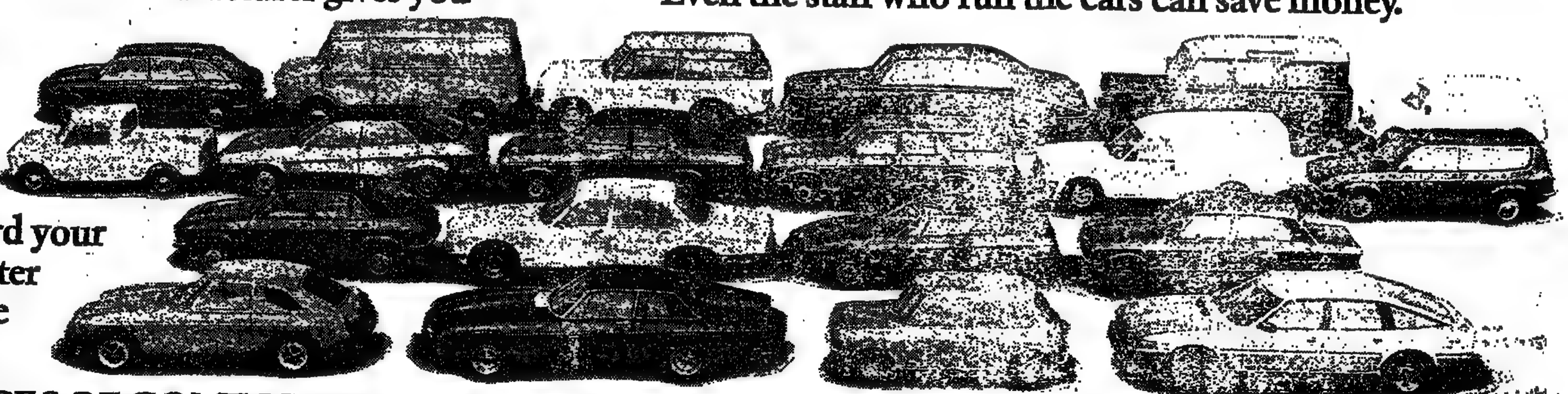

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WEST GERMANY

Orders begin tailing off

WEST GERMANY'S powerful car industry has enjoyed four vintage years since 1975. Domestic demand has surged upwards—production facilities have been operating flat out and profits have reached record levels.

To-day, however, there are clear signs that the car boom has passed its peak. Home orders, which have underpinned the industry's production since the post-1973 recession, have started to flatten out, according to the manufacturers. One company—Ford—has even been forced to introduce short-time working at the plant which produces its large models.

The news has scarcely taken the industry by surprise. Most of the leading car manufacturers have been predicting such an event for some time. Indeed, the strength and length of the boom has surprised them rather than its apparent slowdown.

Even so, industry chieftains such as Professor Joachim Zahn, who retires as chief executive of Daimler-Benz at the end of this year, point out that the end of the boom does not mean decline so much as a return to the normal growth trend.

Cyclically

Herr Toni Schmuecker, chief executive of Volkswagen, West Germany's largest car maker, contends that the industry in the Federal Republic is entering a new phase. He expects the industry to develop cyclically like its counterpart in the U.S. This is perfectly natural, he says.

Some observers, however, claim that it is still too early to say that the West German's deep infatuation with the motor car, manifest during the past four years, is maturing to a relationship of steadier, though deep-seated regard. One factor affecting car orders could be the predicted overall drop in retail demand, primarily as a result of this year's steep rise in oil prices.

According to the Munich-based IFO economic research institute, retail demand will fall sharply in 1980 and that the trend is already noticeable at the start of second half 1979. Real volume in retail trade is likely to grow by only 1 or 2 per cent from July to December, it said in a recent report.

Be that as it may, the car manufacturers have considerable cause for satisfaction in the industry's performance since 1975. Annual output has risen from 2.67m units to 1978's 3.63m units and this year's figure should show a further increase. The performance has been particularly good as production capacity has been virtually fully utilised, with increased output coming from rationalisation and increased efficiency.

However, domestic demand has played an increasing role in the industry's prosperity. Domestic registrations have risen from 2.1m units in 1975 to an expected 2.7m units this year. Forecasts show it returning to about the 2.5m unit level next year, although some experts are predicting the decline could exceed 10 per cent.

Output during the first eight months of 1979 is up by about four per cent on figures for the comparable period of last year. In July and August, traditional holiday months, the increase was only one per cent over the previous year's performance—all indications of the flattening of domestic demand.

Increased exports will be needed therefore if the industry is to maintain its production levels, but the car manufacturers have fared but poorly abroad since the post-1973 recession and prospects of a major improvement on this front seem slim.

Car exports have stagnated since 1970 when the Federal Republic shipped 1.95m cars and estate vehicles overseas. In 1975 foreign sales had declined to 1.5m and, although by 1978 they had recovered to just over 1.9m, this was below 1977's 1.94m.

Germany's car makers have been hit hard by the hefty appreciation of the Deutsche Mark against most of the other world's leading trading currencies, particularly the dollar. Their production costs are among the highest in the world.

In 1978 West German motor manufacturers paid an average of DM 24.44 per man hour. This compares with the equivalent of DM 24.78 in Belgium, DM 21.50 in the U.S., DM 20.98 in the Netherlands, DM 20.65 in Sweden, DM 16.33 in Japan, DM 13.82 in Italy, DM 13.11 in France and DM 9.54 in Britain.

As with all other industrial sectors in the Federal Republic, motor manufacturers acted swiftly to rationalise production, eliminate bottlenecks and up-grade plant to increase productivity. Despite this, overheads have still been too high for the high volume manufacturers such as Volkswagen and Opel to compete in the valuable U.S. market.

Opel withdrew from the market a few years back and is showing no signs of re-entering it, although executives say that it is keeping its options open. Volkswagen has started producing in the U.S., using engines and gear-boxes shipped from Germany. Already it has displaced American Motors as fourth largest U.S. domestic manufacturer.

So the fact that the industry has achieved stagnation in its exports should be viewed as something of a triumph. The industry has done this by attempting to change the basis on which it competes with foreign motor manufacturers.

Instead of competing purely on price, they have been seeking to offer the consumer high quality, coupled with the latest in technological innovation. It is no surprise, for instance, that VW, followed by Opel, has pioneered the introduction of diesel powered high-volume production models.

Even so, the industry is likely to face increasing pressure in its vital domestic market. Traditionally most of the competition has come from European Economic Community countries such as France and Italy, but signs are that things are changing on this front as well.

This year the Japanese have edged the Italians out of second place in the imports league and are rapidly building up distribution and maintenance outlets. Unorthodox competition is also noticeable in the large car sector. A growing number of American compacts are being imported into the Federal Republic and are achieving increasing popularity.

There is little doubt that this is causing concern to West German car makers, who had been happily free of Japanese competition until a couple of years ago. They are strongly resisting all attempts to promote measures which they feel would inhibit their ability to stay ahead of the competition both at home and abroad.

Chief of these is speed restrictions on West Germany's autobahns. The Federal Republic is one of the few countries in Europe not to have restricted speed on motorways and the Government is showing marked reluctance to do so—though no doubt prospects of a general election in this land of high-speed motoring is playing as much of a role in this as pressure from the manufacturers.

However, the car makers have pointed out that imposing speed restrictions on the autobahns will produce only minimal savings in fuel—even if speeds are cut back to 100 kilometres an hour. Speed restrictions are already in force on all other roads throughout the Federal Republic.

Opposed

They are opposed to speed restrictions, they say, because it is high-speed motoring which has provided both the incentive and the means by which they are able constantly to up-grade the technology and quality of their products. Speed restrictions, they imply, could change the whole concept of the German motor industry.

There is much truth in what they say. For a start, one of the reasons that the German motorist is so attached to domestically produced cars is that they are built to be capable of sustaining very high speeds over long distances. Their performance at high speed is matched by few high volume production cars manufactured outside the Federal Republic.

To abandon the freedom of the German to drive as fast as he likes on the Federal Republic's autobahns would mean that many of the country's motorists would perhaps start looking at slower moving though cheaper foreign products. First in line could well be the Japanese, whose "world car" concept has led to the production of cars with considerably lower cruising speeds than their German competitors.

Guy Hawtin
Frankfurt Correspondent

ITALY

Tale of missed opportunities

FOR FIAT in particular, and for the other smaller Italian car manufacturers as well, 1979 may well go down as the year of the missed opportunity.

In retrospect, the first half of this year is likely to be seen as the end of Italy's (and, indeed, Western Europe's) current industrial boomlet. Already there are unmistakable signs of a slowdown in growth, a new surge in inflation, both, of course made worse by first the oil supply shortage and then the sharp jump in the cost of petroleum products after the spate of price rises by the OPEC nations.

Yet Fiat, which accounts for nine-months of overall Italian car production, has in many respects missed the boat.

In his half-term report to shareholders in July, Sig. Giovanni Agnelli, Fiat's chairman, declared that the 1.6 per cent increase in group output (including Lancia and Autobianchi, as well as Fiat) was "totally inadequate" to meet the growth in demand, both at home and abroad.

Fiat itself managed a fractionally larger slice of the home market (expected to grow to 1.45m units in 1979, the fourth largest in Europe) but the share of both Lancia and Autobianchi dropped back, to only 6 per cent from 7.6 per cent in the same period of 1978. And, as top executives of Fiat Auto Spa (the car division created in the reorganisation of the group, nine months ago), insist, sales could have risen by an extra 300,000 units had vehicles been available to meet demand. Alas, though, they were not.

The main culprits, according to Sig. Vittorio Ghidella, managing director of Fiat Auto, are three—incessant disruptions at Fiat plants in the run-up to the new wage contract agreement in the engineering industry, finally reached last July; the strength of the lira, which has not allowed the company to pass on abroad the higher Italian inflation rate; and a lack of internal plant flexibility.

This year consolidated sales of the division, including the important operations in Spain, Argentina and Brazil, are expected to reach around 1.85m units, for a total turnover of L6,000bn ($7.5bn). But the strikes are calculated to have caused the absolute loss of 200,000 units of production, while an inability to switch output around may have meant a further notional loss of 100,000 units. The problems caused by the unusual strength of the lira are still harder to quantify—but the currency's place in the European Monetary System suggests that major devaluations like those in the past are improbable.

Fiat, though, is in comparative financial health compared with the only other Italian car maker of international consequence, the state-owned Alfa Romeo. Alfa's future, and the speculation that surrounds it, will be dealt with in a moment, but figures alone illustrate its difficulties. Last year the group, a subsidiary of the IRI-controlled Finmeccanica lost L126bn ($155m), largely as a result of the troubles plaguing its Alfa-Sud production plant in the south, near Naples.

That Alfa, perhaps the single most prestigious name in the Italian motor industry, should have reached such a pass is a reflection above all of the management errors of the early 1970s, and there are signs now of a break in the clouds.

At last month's Frankfurt Motor Show, Sig. Ettore Massacesi, Alfa's chairman, forecast a return to profitability in four years. The plant at Arese, near Milan (responsible for the groups more powerful saloon cars) should break even next year. Although production (again affected by the labour contract stoppages) will remain at around the 1978 level of 225,000 units this year, the figure should have risen to over 300,000 by 1984—excluding any new models which might be introduced in the meantime. Group sales might come close to $2bn this year (against 1.25bn in 1977) while debts are steadily being whittled away.

Scale

For all the vast discrepancy in their size, the fundamental problem facing both Fiat and Alfa is the same—that of scale. But the tiny size (by international standards) of Alfa and its acute financial worries have, in its case, brought matters dramatically to a head.

What set the cat among the pigeons was an interview by none less than the IRI chairman, Sig. Pietro Sette, in which he appeared to hint that the company might be sold off to Fiat or a foreign rival. The tumult that ensued matched that which might arise in Britain were Rolls Royce to be handed over to some go-go American conglomerate—and both Sig. Sette and Sig. Massacesi were forced to issue swift denials. But that did emphasise that the company was looking for potential partners in new ventures.

Just who that partner (or partners) might be, and what form the co-operation might take, remains to be seen. But it is clear that any deal could also involve the sale of a minority stake in the company. As intriguing as anything is the position of Fiat, now that new possibilities have opened up for Alfa Romeo.

The Turin Group at the outset denied that it had been holding talks with Alfa, and indeed, every objective consideration would argue against close involvement. Fiat itself is engaged on a number of major initiatives, and any close would-be associate of Alfa would have to Fiat, which as the largest private ing on any responsibility for the Alfasud operation. But Fiat equally will be watching developments very carefully, for a deal between the IRI-subsidiary and a foreign group could give a dangerous competitor a vital foothold in the Italian domestic market, where the Fiat group accounts for over 50 per cent of total sales.

Alfa's essential need is for the economies of scale that can only come, in its case, from a link with another group. For Fiat, too (though within the different context) it is scale that counts It has long been a belief of Sig. Agnelli that to breathe relatively easily in Europe a car group must have total sales of 2m units. The main venture at present of the group are with that conviction in mind, in conformity with the overall strategic emphasis now given to Fiat's car manufacturing activities.

Earlier this year, Fiat signed a deal whereby it would eventually take full control of its Spanish associate and in June it concluded an ambitious co-operation agreement with Poland, whereby the latter will supply Italy with Fiat 126s, whose domestic production is to be phased out in Italy, while Fiat will deliver knocked down packages of a new model to share in the development of a new multi-purpose commercial vehicle.

In terms of cash, the group is planning a five-year spending programme worth $5bn, while after something of a hiatus, since the arrival of the 127, new models are again being launched. Nineteen seventy-eight saw the introduction of the much-praised Ritmo, which clearly will form the basis of a very varied range in the future. The new Lancia Delta is shortly to make its sales debut, with the hope of lifting that marques, sluggish record (deliveries down 8 per cent in the first half of 1979, to 32,000 units). Meanwhile, Fiats new bottom-of-the-range model, now dubbed the Panda, will make its first appearance, probably next year.

All this leaves the group cautiously hopeful that it is on the right track for the next few years, when it expected overall market growth to be only 2 to 3 per cent a year. Thanks to a ruthlessly applied government policy, Japanese cars are to all intents banned from the home Italian market, which means one less threat to contend with. But the other worry remains: that Fiat, which as the largest private industrial enterprise in Italy has a symbolic, as well as practical, significance for organised labour will again find it hard to produce the cars it knows it can sell.

Coupled with the scarce job flexibility, and very high labour costs already in Italy, it is not an entirely reassuring prospect.

Rupert Cornwell

SWEDEN

Contrasting strategies

AFTER THE traumas of their aborted merger attempt in 1977 and Volvo's failure to bring in Norwegian capital in 1978, Sweden's two automobile makers have come back with a vengeance this year. Volvo's earnings climbed by 67 per cent in the first half, and the group promises to be the first Swedish enterprise to pass the SKr 1bn (£109m) mark in annual pre-tax profit. Saab-Scania more than doubled its earnings during the first four months and has announced one increase after another in its car production rate.

The short-term perspective is sunny. The mainstay of both has been their highly profitable heavy truck operations which continue to churn out the bulk of group profits. Now the car operations have stopped bleeding and the lines on their profit charts angled upwards again. The improvement in world car sales over the past 18 months has helped, but effective management has contributed most to raising the market shares of both Swedish companies.

Yet the cloud on the horizon has not been dispersed. This year's gains, however impressive, have been made from a low level, and it will be difficult to maintain the profit growth. Volvo's managing director, Mr. Pehr Gyllenhammar, added a cautionary footnote to his heartening half-year report, anticipating a downturn in car business later this year.

The fundamental question for the Swedish automobile industry remains unanswered. Can Volvo and Saab-Scania generate the capital resources to finance the next generation of cars they will need to compete successfully against rivals with larger production runs and more solid financial bases?

Aborted

The most fascinating aspect of the Swedish scene is that, having turned their backs on each other after the aborted merger, Volvo and Saab have adopted totally different strategies to secure their futures on the world car markets. While Volvo curbed its profit margins and gone for volume growth, Saab has plunged for exclusivity, high profit margins and co-operation with a foreign manufacturer.

Both strategies have scored initial success but the long-term validity of each remains to be proved. And at their backs, the boards and managements of both groups cannot but be aware, is the unsatisfied conviction of many political and union leaders that only merger and state intervention can solve the industry's long-term problems.

In the meantime the companies can take some heart from this year's narrow election victory for the non-socialist parties and even more so from their own trading figures. Volvo's car sales jumped by 24 per cent in the first half compared with the corresponding period of 1978, and 1979 production is scheduled to reach 325,000 units, the highest in the company's history. Saab expects to sell more than 85,000 cars this year and in September was manufacturing at an annual rate of round 92,000, which, if it can be maintained, will take the car operation past the break-even point for the first time in several years.

The change in the fortunes of Volvo cars can be dated to the devaluation of the krona in August, 1977. Volvo passed the full benefit of that devaluation to its customers, accepting a lower profit margin in the short-term in the expectation of achieving larger sales and better utilisation of its production capacity, which in turn would cut unit costs and start a profit recovery.

At the same time it tightened up production controls and introduced small improvements to its models to erase the technical defects which had started to tarnish the Volvo quality image. The company became far more market conscious in both its pricing and product improvements.

The sales figures justify the approach. From 241,400 in 1977 the number of cars sold reached 264,800 in 1978, while 167,000 were sold in the first half of 1979. Volvo's share of the world market rose from 0.98 per cent in the first six months of 1978 to 1.1 per cent in the first half of this year, and it boosted its overall share of its 16 largest national markets by 20 per cent.

With output approaching 325,000 cars a year, Volvo is nearing capacity and the management is not budgeting for any further increase in 1980. It hopes, however, to continue the profit growth next year, mainly by curbing the losses of Volvo Car BV the Dutch company which makes the medium-sized 343s.

With a strategy based on volume growth Volvo is still banking on the success of its Dutch venture in spite of the initial setbacks it has suffered. The Swedish group now has a 55 per cent stake in Volvo Car BV, the remainder being held by the Dutch state, whose continued financial support has just been secured by a new agreement.

The importance of Dutch state support for Volvo's whole car operation over the past two years is illustrated by its profit breakdown. In 1977 the car operation made a pre-tax loss of SKr 105m after receiving a Dutch state grant of SKr 193m. Last year it showed a profit of SKr 190m but this included an input of SKr 199m from the Netherlands Government.

The introduction of the new gearbox to the 343 model and the phasing out of the small 66 model have bettered the performance of the Dutch factories this year. Volvo Car BV expects to produce 89,000 cars in 1979

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SPAIN

Set to join the major producers

CURRENT AND planned investment in the Spanish car industry will over the next five years raise Spain to the ranks of one of Europe's major producers. During this period new investment could total $2.8bn, and, as a result, existing production capacity should double.

At the same time, the vestiges of Spanish equity control will have disappeared. The Spanish car industry will be a wholly multi-national affair with, perhaps, a small residual State interest in SEAT, the country's biggest car maker. The industry, however, will be dominated by Fiat, Ford, Renault, Citroen-Peugeot-Talbot and—making its appearance for the first time—GM.

Such developments have been on the cards for some time, but at least four factors have acted as a catalyst.

First, the major U.S. multinationals have now concluded that Spain offers the prospect of sufficient domestic stability to justify a major investment commitment. Ford took the plunge in the early 70s, GM hesitated at the time and, only this year, changed its mind with its decision to spend $1.6bn on production and component facilities at new sites at Saragossa and Cadiz.

Secondly, the long-term growth prospects of the Spanish market do offer sufficient potential to be attractive.

Thirdly (and most important of all), the prospect of Spain's entry into the European Economic Community means that, sooner or later, existing restrictive legislation must be liberalised.

The Spanish Ministry of Industry has, in conversations with the manufacturers, indicated that they are anxious for an early liberalisation. Indeed, early liberalisation has been more or less forced upon the industry by the plight of the largest producer, SEAT.

To survive, SEAT had to be restructured and logically could only be restructured with Fiat taking full control since it already supplies the technology and had 34 per cent of the equity. A pre-condition of Fiat's agreement was a commitment by the government to liberalise.

Fourthly, Spain is relatively well-placed geographically to act both as a launching pad for supplying the European market as well as overseas markets in the Middle East and Latin America.

Arguably, the most significant development has been the decision by GM to invest $1.6bn out of new $2bn European investments in Spain. The split investment, between Saragossa in northern Spain and the port of Cadiz, was a concession wrung by the Government.

Absorb

At one stage, the Government had hoped to persuade GM to site the entire plant in this depressed area of southern Spain to absorb surplus labour being shed by the shipbuilding industry. GM, however, wanted a site in northern Spain and settled for Saragossa, strategically placed between Catalonia and the Basque country, the main industrial areas of Spain.

Saragossa also had the advantage of having a relatively non-unionised labour force. At Cadiz, GM agreed to build a $150m components plant to serve both European and U.S. markets. Saragossa will house the bulk of the investment, a 270,000 unit facility, a small passenger car for the mid-80s.

The Government is providing 10 per cent of the cost of Saragossa in the form of subsidy and 10 per cent in soft credit. In the case of Cadiz, the subsidy is 20 per cent of fixed cost, plus a further 25 per cent in soft credit (around 9 per cent).

This was as far as the Government felt it could go in encouraging the deal—in addition to making further encouraging statements on the dismantling of restrictions. For instance, the plant is geared to export and under existing laws would have to sell at least 70 per cent of production abroad.

Interestingly, Ford, which already has a major investment in its Fiesta plant at Almusafes, near Valencia, found inadequate Government terms for aiding an expansion of its activities. Nevertheless, it is still thought likely that Ford will eventually expand the Almusafes facility, doubling capacity and probably putting in a new production line, worth some $450m.

GM has still not finalised its location at Saragossa but production is anticipated to begin by 1982-83, around the time when Spain is due to join the EEC. Also due to be completed then is a five-year restructuring of SEAT costing $780m. The plan is based on a drastic cut in the existing model range, gearing production to between two and three main models, all with a minimum daily production of 500 units.

Until now, the SEAT 127 has been the sole model with such a production level. The two principal models will be the Ritmo and the Cero, with 50 per cent of the latter geared for export within the Fiat dealer network—a key part of a new agreement reached in June with Fiat.

The Fiat agreement marks a major turing point for the industry. It followed almost a year of intense study by SEAT management and experts from the Turin-based group as to how the latter could take over control and integrate SEAT. With the State holding company owning 36 per cent, it was decided last year that a purely national car company, which nevertheless had a major foreign shareholder, could no longer survive once protective legislation was reduced. Fiat was initially reluctant to move since the deal required the committment of significant funds and entailed the absorption of a 32,000-strong labour force.

Additionally, the SEAT image in Spain had been declining steadily, reflected in a halving of its market share in less than seven years to around 30 per cent. Just as important, SEAT moved heavily into the red last year, recording a $152m loss. This gave a new urgency to the negotiations.

Initial reaction to the introduction this summer of the Ritmo has been favourable. This is encouraging since SEAT needs to recoup customer confidence, which has switched to newer and more advanced models produced by Chrysler, Renault, Citroen and Ford. The latter continues to be hamstrung by the so-called "Ford law." This was a restriction imposed by the authorities when Ford was allowed to build Almusafes.

Ford was limited in its domestic sales by a ruling that no more than 10 per cent of the previous year's total registrations could be sold in Spain. The Fiesta has been a highly-popular model and Ford reckons that there is substantial unfulfilled demand. This is borne out by the fact that Ford is the sole manufacturer to have increased domestic sales.

Both overall production and sales this year have been flat—reflecting the recession in the Spanish economy. Production was down 4.8 per cent in the half-year, compared to the same period the previous year. Domestic sales registered at 6.4 per cent fall in the January-June period against 1978. Although there has been a mild pick-up in the summer, the manufacturers do not foresee any substantial alteration in this trend for the year as a whole, nor for the early part of 1980. The rising cost of petrol, the continued high cost of borrowing money, added to the sharp increase in new car prices (up on three different occasions in the past 12 months), has discouraged buyers.

Some of the slack in the domestic market has been absorbed by switching to exports. Half-year exports were up 4.6 per cent.

Because of legislation, Ford is the main exporter—indeed, it is Spain's principal exporting company. But Ford production has been affected by labour problems. Since February, there has been a go-slow and a ban on Saturday working, which had led, by August, to a loss of some 32,000 units.

There is no sign at present of any settlement. If anything, there is evidence that the unions have selected Ford, and the automotive industry as a whole, as a test bed of their strength.

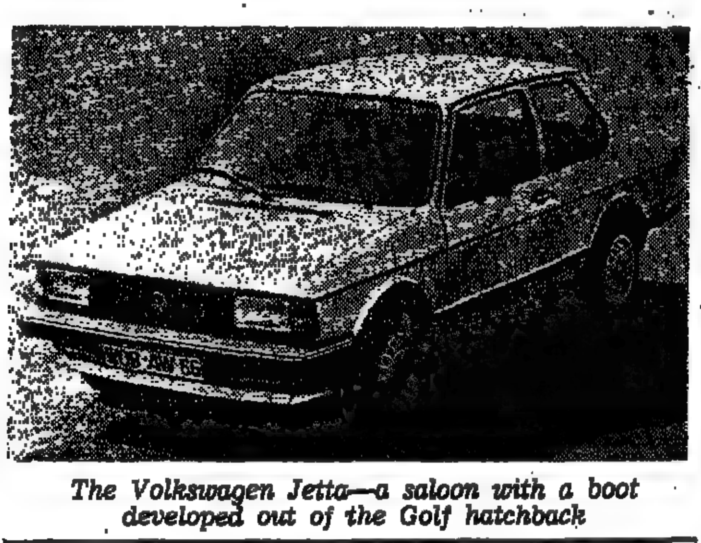
Since the end of the summer holidays there has been generalised unrest in the industry over negotiating a salary top-up to offset higher inflation. This unrest underlines one aspect of the industry that is frequently forgotten. Industrial overheads are rising sharply in Spain, at between two and three times the European average, thus putting it more into line with the rest of Europe. Productivity on the other hand is said to be declining. This is a source of long-term concern for the manufacturers.

Robert Graham
Madrid Correspondent

CAR PRODUCTION AND SALES

(Half year to June 30)

	Production 1978	Production 1979	Domestic Sales 1978	Domestic Sales 1979	Exports 1978	Exports 1979
Chrysler/Talbot	55,966	43,471	43,028	43,403	10,379	1,272
Citroen	55,927	58,852	40,327	40,061	15,217	17,831
Fasa/Renault	121,007	124,464	[illegible]	88,002	23,781	36,469
Ford	140,413	117,910	37,812	43,196	102,290	94,379
SEAT	146,848	150,478	118,210	98,613	45,163	36,027
TOTAL	520,161	495,175	334,790	313,275	196,739	205,706



The Volkswagen Jetta—a saloon with a boot developed out of the Golf hatchback

Sweden

CONTINUED FROM PREVIOUS PAGE

compared with only 64,700 last year, and the aim is to reach an annual output level of 100,000 cars by the end of the year.

The profit margin (pre-tax earnings as a percentage of sales) on Volvo cars in 1978 was only 1.8 per cent. It has climbed sharply during the first half of 1979 to around 4 per cent. Is this enough to provide the finance for the new models required in the 1980s? Volvo is committed not only to renewing its 240/260 range but also to providing a successor to the 343. In addition it is working with the Norwegian aluminium manufacturers on a lightweight car project.

Saab-Scania's car operation is smaller and more narrowly concentrated than Volvo's. While 54 per cent of the Gothenburg company's 1978 turnover of SKr 19.1bn derived from car sales, Saab cars accounted for only 28 per cent of the Saab-Scania group's total sales of SKr 11.64bn, and the cars have been regularly subsidised from the profits of the Scania division.

Success

The group budgeted for a further but substantially smaller loss on its cars this year, but optimistic signals have been coming from the Saab management that the break-even point could be reached or even passed in 1979. The reason is the success of the new 900 models and the new turbo engine—a technical triumph in contrast to Volvo's marketing success.

Saab cars' profitability depends on the product mix: the more 900s sold with their high profit margin, the higher overall earnings will be. Saab has in fact been unable to meet the strong demand for turbo-engined 900s from the U.S. this year, but this augurs well for next year's sales and profits. The profit margin on the 900s is understood to be about double what Saab makes on the older 99 series.

Alongside the small car-maker's typical emphasis on technique and a special image, Saab's strategy involves co-operation with the Lancia arm of the Fiat group. The Swedish company has accepted that it had neither the cash nor the technical resources to develop a successor to its 95 and 96 series.

The first fruit of this Swedish-Italian co-operation is the Lancia Data, a five-door, front-wheel drive car launched this year and on which Saab engineers have had only a minor influence. A version for the Nordic countries, to be known as the Saab-Lancia 600, will reflect Saab ideas to a greater extent.

Saab has been the agent for Lancia cars in Sweden for some years and their new agreement extends beyond the Lancia Data to the joint development of a car for the 1980s, which will incorporate new lightweight materials.

In August the National Industrial Board published a report on the Swedish automobile industry which the Government had commissioned after the breakdown of the merger talks in 1977. The report postulated that Volvo and Saab-Scania would need to raise something like Skr 4bn over the next three to five years, in order to develop new car models. The general tenor of the report was doubt whether financing of this order was at all possible.

Both companies immediately pointed out that the board's conclusions were based on outdated material and did not take into account the dramatic improvement in their car business over the past year. Thus, the optimism engendered within the industry by the current profit recovery is nicely balanced by the more pessimistic judgment of outside experts.

William Dullforce
Nordic Correspondent

'World car' concept will set new pace

EUROPEAN CAR manufacturers, in establishing new poles for production and export, particularly in the Third World and Eastern Europe, are facing stern competition from both Japan and the U.S.

U.S. multi-nationals in particular pose a new threat to European manufacturers wanting to establish new production facilities in those countries where demand—contrary to the situation in Europe—is growing rapidly and manufacture is cheaper than in domestic markets.

U.S. car manufacturers are leading the field in the production of the "world car." In general terms the "world car" concept enables manufacturers to maximise economies of scale.

In theory the company making a world car can produce a pool of key components from plants set up anywhere in the world and turn out parts on the most efficient scale possible. Other components would be bought in at a low price because of the quantities required. The components would then be shipped to plants in the major markets to be assembled into cars which would meet local requirements.

General Motors, the largest motor manufacturer in the world, claims to have produced the first real "world car" with its Chevrolet Chevette. In terms of basics the same design for the Chevette is being built in the UK, West Germany, Australia, Japan, Brazil—and until recently Argentina.

Fiat of Italy is one of the first European manufacturers to challenge the Americans head-on in their policies of world-sourcing of components. In September 1979 Fiat announced it was to spend $5bn in new investment at home and abroad in the rationalisation of component manufacture.

The group's licensee in Poland, a company which produced 293,000 units last year compared with 260,000 in 1977, will be an active participant in this project. The rationalisation will split Fiat's output of components around plants in Italy, Spain, Latin America and Poland to gain the greatest economies.

These moves, it is said, will turn Fiat into a "world car" maker when it will have assembly plants in many major markets, putting together components supplied from high volume facilities all over the world.

This programme was made possible by Fiat's recent acquisition of a majority shareholding in SEAT of Spain, and an accord with Poland, ratified in June, under the terms of which a new Fiat car will be produced there by 1981.

European car manufacturers are also seriously engaged in penetrating the U.S. car market, particularly now that the accent in America is on smaller vehicles.

Volkswagen of Germany was the first European car manufacturer to assemble in the U.S. The decision, ultimately taken in 1975, was vital to maintain its products cost-effectiveness. Apart from the economies of manufacture in the States the management of VW in Wolfsburg saw other attractions in local manufacture. There was the danger of protectionism and also the benefit of flexibility being close to the market. The decision stemmed the decline in sales of VW cars and in 1978, the same year as it opened its plant in Westmoreland, Pennsylvania, sales totalled 239,306 compared with 201,000 in 1976.

VW now has a massive world strategy based on its overseas assembly and production plants where cost-effectiveness is greater than in West Germany.

The plan is that the U.S. will produce for its own market, the Brazilian subsidiary will supply much of South America and the Third World, with Mexico supplementing Brazil in Latin America and building special types of vehicles for more sophisticated markets. The German company will essentially only build for Europe and parts of the Middle East. Recently it was announced that Volkswagen do Brasil will supply the West German parent company with components for the 10,000 cars to be assembled annually in Egypt. No date has yet been set for the beginning of construction of the Egyptian plant.

The cars turned out at these production bases will become more and more diverse as they are tailored to regional market requirements.

Confident

Major areas of expansion of production will be in the U.S. and Mexico. VW has decided to expand in the U.S. because of the increasing market share it is confident of winning and by the continued weakness of the dollar. At present about 40 per cent of the Rabbit (the Golf) consists of engines and other parts imported from West Germany. This leads to what the company calls "exchange burdens."

With the expansion of the Westmoreland plant and the proposed building of a second U.S. plant it is envisaged that a wholly American-made car will be built, with a Mexican-built engine (VW is to build a plant in Mexico which will produce 1,600 water-cooled four-cylinder engines a day).

VW's expansion of its Mexican activity is partly because of a 1977 Mexican Government decree that the motor industry in the country has until 1982 to balance its import-export account. Because of this VW, Ford, General Motors and Renault have all recently announced expansion plans which combine making more components in Mexico and boosting exports.

Renault, however, may be the next European manufacturer to assemble its cars in the U.S. It had firm plans to produce the car in North America as part of its aggressive export drive but decided to defer production following studies which suggested that the financial risk was too great to take before the results of a six-fold increase in its North American dealer network became apparent.

Renault has forged an agreement for its cars to be distributed through the American Motor Corporation's (AMC) 2,000-strong U.S. dealer network. It is proposed that the two will work together in adapting Renault's new designs for the 1980s to the needs of the U.S. market. Renault now has first option in the use of AMC's production facilities should a combination of a sliding dollar and a growing demand for Renault cars justify U.S. assembly. The study showed that 200,000 Renaults a year would have to be sold in the U.S. for the venture to break even. Also the sourcing of local components would have been more costly than anticipated.

French car makers, despite their dominant position in their home markets and expansion of sales overseas, suffer from the fact that unlike the more profitable German and American car manufacturers they cannot afford to take risks in heavy new investment overseas.

Risks to manufacturers wishing to expand into new markets abroad include political instability or changes in demand forecasts because of economic problems.

For example, Renault has had to revise its expansion programme in Portugal, announced this year, because of the dramatic drop in Portuguese domestic car sales last year and the continuing economic restrictions imposed by the International Monetary Fund. It now plans a $400m expansion programme stepping up production from 10,000 units a year to 80,000 by 1987.

Peugeot-Citroen, the French national car manufacturer, which agreed last year to assemble in Iran with Iran National Automobile, is still waiting to hear whether the new Government will allow construction to go ahead. It similarly is still awaiting confirmation from Algeria as to whether or not construction of an assembly plant can proceed there.

The company also has severe problems at its Nigerian assembly plant because of a Government deadline to the company requiring it to comply with new regulations on air-freighting. In a recent budget the Government said that all companies had to give good reasons why they were air-freighting components into the country rather than using sea ports. Peugeot say that air-freighting is necessary because of the need for speed in the sending of parts. No agreement as to a solution has yet been reached.

Given the vagaries of Third World countries, with their growing success in national production and protectionist action, European manufacturers have said there is a need for a "European solution" whereby European manufacturers strive to overcome national frontiers in the formulation of development policies and have rulings which will enable EEC companies to accept or refuse a deal with countries, knowing whether they are in line with the general interests of the Community or not.

Lisa Wood

General Motors' Chevrolet Chevette

Pressures from imports

AS THE world's major motor manufacturers steadily increase their car exports, few countries have managed to avoid an increasing penetration of their home markets by foreign competitors. But only Britain has obviously failed to meet the challenge to the extent that more than half its home market has now been lost.

The only country which has managed to reduce import penetration since the early 1970s is West Germany, where the figure has been pushed down from 26.2 per cent in 1972 to 23.8 per cent last year. However, during the same period France has held competitors at bay fairly successfully, losing less than 3 per cent of the 80 per cent held by domestic producers in 1972.

Italy has lost more than 10 per cent of its home market during the six-year period (now maintaining around 60 per cent) and Sweden a similar percentage, although it started from a much high base of 58 per cent penetration at the beginning of the period.

The United States' car market has not escaped the pressures of imports, which now account for around 18 per cent of sales, although this takes no account of the cross-border trade with Canada.

The only country which has almost completely held back the tide of imports is Japan, where only 1.9 per cent of cars sold in 1978 were imported, compared with 0.9 per cent in 1972. At the same time, the growth in the volume of Japan's car exports has been staggering.

Since 1972, exports of cars have more than doubled—and last year they topped 3m for the first time, compared with West Germany's 3.2m, the next highest export figure. As the dominant force in world car markets, Japan has moved from being a supplier of less expensive, unsophisticated cars, into the middle-price range where a reputation for reliability and economy has been one of the keys to success.

Watershed

But last year proved to be a watershed for the giant Japanese motor companies which experienced severe problems in export markets, due to the higher value of the yen and increased competition in its important U.S. market. The volume of Japanese exports increased only marginally between 1977 and 1978.

Toyota Motor, Japan's leading car manufacturer, suffered a 16 per cent fall in export volume, with the biggest drops occurring in shipments to America and the Middle East, while their sales in Europe were relatively buoyant. However, the position was improved by strong domestic sales, which were up 21 per cent on the previous year.

From Toyota's point of view the position seems to be riversing itself this year—exports are forecast to rise by 16 per cent while the domestic market will be up by only 1.6 per cent. Production is expected to reach 3.08m units, a rise of 7.7 per cent.

Sales of Japanese cars in the U.S. have now returned to their higher level, thanks to the fuel shortages, and in the medium-term, the outlook there for exporters of smaller cars is extremely good. However, this may be a limited market in terms of time, since U.S. manufacturers appear finally to have recognised the need for smaller, fuel-efficient cars.

There are continuing fears that any setback for the Japanese in the U.S. market will mean more pressure on European countries, where there is a relentless increase in the degree of import penetration by the Japanese. Although this in itself cannot be opposed on any commercial grounds, there is considerable resentment at the low level of imports in the Japanese domestic market.

Britain is now pressing Japanese car-makers for an unqualified assurance to restrict their share of the UK market to 10 per cent in 1980. The UK Society of Motor Manufacturers and Traders is concerned at the level of imports this year—136,000 by the end of August, compared with 143,000 for the whole of 1978.

Despite previous agreements by the Japanese industry over shipments, and a vague assurance last year that it would take a "prudent" view of the UK markets, registrations have risen inexorably from 84,000 in 1974 to 174,000 in 1978. This has boosted Japanese penetration of the UK new car market to 10.5 to 11 per cent.

Similarly, Japanese cars are taking an increasing share of the West German car market, and are now second only to France as the biggest importer. Japanese cars, led by Toyota, accounted for 4.9 per cent of all new car registrations in Germany in the first half of this year, according to recent figures, while France holds a 10.4 per cent share.

During the past year Japan has overtaken Italy in the German market, and has clearly been the result of an intensified bid by the Japanese to establish themselves more firmly through increased investment in distribution networks.

The proposals for a co-operative deal between BL and Honda have drawn some criticism from France, which has an effective quota on imports of Japanese cars, on the grounds that it will provide increased access for Honda in EEC markets.

The French motor industry, which has experienced strong demand in its home market for some time, is now running into a less buoyant period at home and increasingly looking to export markets to maintain volume. In the first half of this year French car exports amoutned to 876,000 units compared with 840,000 in the corresponding period last year.

Renault, now in an expansionary phase, is particularly interested in increasing exports and has concentrated its efforts on the British market and the U.S.

In Italy, Fiat has embarked on a $5bn expansion programme during the next five years, aied at rationalising production and turning the company into a "world car" maker in the 1980s. The project is designed to split the company's output of components between plants in Italy, Spain, Latin America and Poland, to gain the greatest economies. This will absorb about one third of the $5bn.

In another move to rationalise, Fiat is to import cars into the UK from the Republic of Ireland, where they are to be assembled. This move was decided upon when output in Italy of the Fiat 128 became restricted after the introduction of the Strada.

The Fiat plant near Dublin, which was established in the 1930s, will supply the Irish and the British markets, where the 128 is still in demand despite the similarly sized Strada. Fiat envisages maximum sales of about 4,000 for the 128.

However, many of the major shifts in emphasis in world trade in cars are now brought about by policy decisions of this kind, particularly by the large multinationals, and increasingly, as a result of co-operative deals.

With the European market for larger sized cars expected to decline slightly, in line with higher demand for small and medium sized models, the major companies such as Ford are adjusting their production accordingly.

Although Ford is powerful enough to undertake this kind of change without too much difficulty, the costs of developing new models has sent most companies looking for partners. Two recent tie-ups are the Honda-BL agreement, and SAAB and Lancia, which are to produce a common pool of components for new models.

Economies

The troubled Alfa-Romeo group has also indicated that it would look favourably on co-operative deals with other manufacturers on marketing, design and production, and even Ford of Europe will now consider joint projects with European companies rather than with its parent in the U.S., if it would lead to beneficial economies of scale.

In terms of exports, it is clear that Ford with the Fiesta, and Volkswagen, with its new range of smaller cars, have been in the best position to exploit the energy crisis. The Fiesta, which is assembled at Saarlonis in West Germany, Dagenham in the UK and Valencia in Spain, has consistently been in short supply and seems likely to continue to be so.

Volkswagen, West Germany's largest car manufocturer, with world sales of 2.34m last year, has made substantial progress in the U.S. market since setting up manufacturing operations there. In the first eight months of this year, VW sold 243,000 cars in the U.S., which was 30 per cent up on the previous year's figure.

VW believes that if the demand for economical cars continues, demand for its models in the U.S. will remain strong. However, capacity at its Westmoreland factory is not sufficient at present and its capability to supplement this from Germany is limited. These factors are likely to limit sales growth this year to around 30 per cent, the company believes.

The prospects for export sales of fuel-efficient cars of this size are, however, extremely good and it appears that Ford and VW have a lead in this field which other companies will find difficult to overcome.

Lorne Barling

Long-term competition from the American giants

GENERAL MOTORS of the U.S. this year introduced a European-sized car, using front-wheel-drive and dubbed the "X" car. So the question immediately occurs: Is Detroit's powerful auto-making machine about to pose its first real export threat, particularly if the value of the dollar remains low and makes U.S. prices attractive?

Certainly, that was the tenor of many questions put to senior executives of the various car companies when they gathered for the recent Frankfurt International Motor Show.

Mr. Bob Lutz, chairman of Ford of Europe, came up with a number of convincing reasons why the new cars—and his parent company in America is working hard to introduce its competitor to the "X" car—will not cause the European manufacturer much concern.

(a) Even if the looks of the U.S. cars are more European, they will still be basically typical American cars, designed for the U.S. market with typical American driving characteristics.

(b) U.S. emission-control regulations will mean that these cars will be underpowered for Europe.

(c) Demand in the States for the smaller cars is so great that the local market can absorb all the Americans can make and looks like being able to do so for many years to come.

(d) The two principal U.S. manufacturers, GM and Ford, have huge investments in Europe and are unlikely to undermine those operations with cheap imports in great volume.

But Mr. Lutz agreed that there might still be market gaps for some U.S. cars in Europe.

"For example, it would be interesting to introduce the four-wheel-drive Bronco to Europe when it is reduced in size," he said. "That would be cheaper than developing our own here. Another good example is the Mustang, we could not have afforded to make our own V8 luxury coupe in Europe, so we are about to sell 8,000 Mustangs here this year.

"Our plans are to only exploit specific market opportunities that we cannot cover with our European ranges, but that will never be much."

Niches

Both GM and Chrysler US are also looking for market niches they might fill in Europe with Detroit product—the incentive for Chrysler is even greater now that it has sold its European business and retains only a minority shareholding in PSA Peugeot-Citroen.

In one wild moment a GM executive once suggested that his group's sales of U.S.-built cars in Europe would reach around 100,000 by 1985 but this must be dismissed as pie in the sky. Apart from anything else, if GM is to meet the fuel economy regulations progressively being introduced in the States it will need to sell all the small cars it can produce not offer them to a highly price-competitive export market.

All this is simply looking at the short-term, however.

In fact, many European car makers do see the North American based companies as the major long-term potential threat to their industry.

The reason can be summed up in two words: "World cars."

In crude terms, the world car concept enables a manufacturer to maximise economies of scale in an industry where economies of scale really do matter.

In theory the company making a world car can produce a pool of strategic components from plants set up anywhere in the world to turn out parts on the most efficient scale possible.

Other components would be bought in at a very low price because of the quantities required.

The components would then be shipped to plants in the major markets to be assembled into cars which would match local requirements.

That does not mean that world cars would look alike when they took the road in different countries. Manufacturers will not compromise market acceptability by attempting to provide all things to all drivers in one package.

For example, Europeans would be reluctant to pay for some of the luxury fittings Americans desire as standard or to put up with the loss of performance resulting from the installation of U.S. emission-control equipment in their vehicles.

Thus, the commonality will be in engines, gearboxes, suspension systems and the like.

The world car has been made possible because of the energy crisis in America. The U.S. Government is insisting that by 1985 the fuel consumption of American cars, on a fleet average basis, must be at least 27.5 miles to the American gallon (33 mpg to the Imperial gallon).

The manufacturers face other regulations which mitigate against fuel efficiency—like the the emission control legislation and that covering passenger vehicle safety.

They will be able to meet the regulations only if most of the cars in their fleets are completely redesigned. No amount of tinkering with the old "gas guzzlers" could do the job.

As a result the U.S. industry is wide open to new ideas, is looking for new technologies and considering different materials from those it traditionally used.

But it also faces a massive expenditure programme to "re-invent the American car." The cost is estimated to be at least £50bn during the next seven years.

Spread

Given this huge capital expenditure programme, the manufacturers simply must spread the impact over as wide an area as posisble—and that is where the world car comes in.

Mr. Pete Estes, president of GM, put it this way: "When the full impact of the financial and technical challenge here at home (meaning the U.S.) began to sink in, we had one more good reason to look seriously at reducing product duplication on a truly world-wide basis, at the international sourcing of components as a way of reducing capital demands and for a more fluid exchange of technology between North America and overseas."

Another GM executive encapsulated the concept in more simple terms: "Nobody wants to build a car that is the same for every market. But every car has to have wheels. And there is no sense in having five different ways of attaching the wheel to the axle. So we should make all our wheels with four bolt holes wherever we make them."

GM and Ford argue that the coming of the world car is inevitable; that the concept enables developing countries—with their varying abilities in technology and manufacturing techniques—to join in; and that those countries who opt out, possibly in a vain attempt to protect their local automotive industries, will be locked out of the business for many years to come.

There is a growing body of opinion, both inside and outside the industry, which subscribes to the theory that only those companies producing at least 2m vehicles a year will be contestants in the world market battle of the 1980s.

Europe is relatively well-represented in the short list of eight companies which fell into that category last year with Fiat of Italy, PSA Peugeot-Citroen and Renault of France and Volkswagen-Audi of West Germany joining General Motors and Ford and the Japanese represented by Toyota and Nissan (the Datsun group).

But reactions at the Frankfurt show illustrated quite clearly that the mantle of "foreign bogey-man" which up to recently has settled on the Japanese, has now been transfered to the Americans.

As Sig. Vittorio Ghidella, chairman of Fiat Automobile, put it: "In the long run I am more worried about the North American companies than the Japanese. One day they will have rationalised world-wide component production and it will all be put under the control of the mother country. That will represent a real problem for Europe."

But is it a problem which could not be overcome?

Mr. Bernard Vernier-Palliez, president-director general of the Regie Renault, had no doubts at Frankfurt. Looking resolutely through his rose-coloured glasses he declared: "Financial power and very high volumes of production are not all. The essential factor is the product and the innovation that goes into the produc. In that respec, we (in Europe) stand a good chance if we keep on working resolutely."

K.G.

"BEST FAMILY CAR- OVERALL CAR OF THE YEAR-"

What Car?, April 1979.

"I FEAR THAT I SHALL NEVER FEEL SO MUCH AFFECTION FOR A CAR EVER AGAIN."

Car Magazine, April 1979.

"What Car? Annual Review"

"This year we decided to vote for our Car of the Year again—and have chosen the Peugeot 305SR."

"Over the past year we have tested more than 120 cars."

"As last year we are splitting the wide variety of cars we have driven into various groups, but this time the categories are slightly different."

"Each class has its own winner, found by awarding cars points out of 100 under a total of five headings, with a maximum of 20 points on each count."

"In the end we arrived at nine individual group winners, one of which turned out to have the highest overall total. This year our Car of the Year is the Peugeot 305SR."

"The 305 is a slightly up-market four door family car. It is French, with a front engine driving the front wheels. It has four doors, enough room for four adults and their luggage, is reasonably fast, handles safely and is well equipped."

"The Peugeot 305 combines the advantages of space and safety offered by front wheel drive, while retaining a traditionally shaped, roomy body. It offers a degree of comfort and luxury unusual in a car of the class—the opposition will have their work cut out to match its stylish ride."

"The 305 is typically Gallic, with front wheel drive, and a thoroughly sensible approach—a large boot for luggage, large passenger area and a transverse engine up front. The 305 is also blessed with one of the best gearchanges we have ever come across...so light and precise that changes can be slurred making passengers think it's an automatic. Our Car of the Year offers smooth luxury unusual in a car of this class."

"French car manufacturers seem to have found the knack of producing everyday cars with the sort of luxurious ride comfort found only in limousines. Peugeot's new 305 range is a case in point—aimed squarely at the family man as his regular transport, and yet offers the sort of comfort a chauffeur driven executive would expect."

"The success it has already had is well deserved and we can be certain that it will still be in production in ten years time—something that can't necessarily be said of its rivals here."

What Car?, April 1979, Annual Review and comparative test with Fiat Supermirafiori, Princess 1700 HL, Renault 18TS.

Car Magazine- "A long term test with a difference"

"Just one of the astonishing things about the 305 is how well it handles."

"...the gear change for example: it is not only the nicest to be found in any front-wheel drive car but it is also one of the very nicest to be encountered in any car."

"The rest of the credit presumably goes to the transverse location of the engine, the block of which is tilted 20° forward to make things even better. Space saving under the bonnet has not been taken too far, though, for although there is not much space wasted there is room to get at the things that are likely to need attention, even if nothing ever actually did."

"The 305 suspension, like that of its big brother 604, must surely represent the state of the car-builder's art."

"Just as nothing seemed to be consumed, likewise nothing seemed to deteriorate. The finish looked everywhere as good at 9000 miles as on delivery."

"...the cabin was impressively roomy: once again the long wheelbase might have something to do with it, for the car is not over-long overall, being an inch shorter than a Cortina."

"The Peugeot's controls are excellent, well-sited and have superb actions. The instruments are easily seen and tell no lies, and the night lighting of the facia is first-class. There is a complex array of heated and fresh air vents, yet the controls are straightforward, even to the first-time driver."

"On almost every count, the 305 is highly competitive with its obvious rivals, most obviously in matters that can be quantified and set down in figures but most convincingly in the sweetness of its behaviour."

"It is difficult to overstate this case, hard to think of any other car short of a Rolls-Royce in which the controls feel as though they have been matched and lapped and polished and hand fitted by a jeweller, and impossible to imagine how Peugeot have achieved this in mass production."

"In the absence of any serious faults or many trivial ones, it seems almost tedious to keep on piling up praise for the way this car behaved, but it would be unjust not to do so. With such exemplary manners, such silken feel, such admirable comfort and such unfailing reliability, the Peugeot 305 must obviously be a very good car. What made it even better was its ability to rise to the occasion, to meet requirements that ought to have been beyond the normal call of duty."

"Never have I encountered a car that could serve for so long without letting me down in any way, that could serve so satisfactorily for such a variety of journeys, and that could sustain such astonished delight over its virtues, as did this 305."

Car Magazine, April 1979. Long term test and comparative test with Renault 18GTS and Honda Accord.

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The electronic revolution

STRANGE THOUGH it may seem, the car is one of the most difficult environments for electronics systems to operate in. Yet manufacturers are developing systems to control and monitor all aspects of a car's performance in safety, entertainment, instrumentation and engine control.

This year the top cars made by European, U.S. and Japanese manufacturers such as Mercedes, Aston Martin, General Motors and Ford all incorporated micro-electronic control somewhere in their operation.

The first use of electronics in the 1960s was very basic — a device to regulate battery voltage, which had the habit of varying wildly from its standard 12-v. Next, to make starting and driving easier many makers started to instal electronic ignition systems as well. But neither of these two systems were fitted as standard. The makers did not think that motorists would perceive the potential benefits of electronics in cars and would therefore object to paying extra for an apparently expensive luxury.

It was legislation that gave electronics companies their real chance to sell their products to the motor industry.

According to some forecasters the amount of electronics equipment to be found in cars by 1981 is likely to be worth nearly $500m in the U.S. alone. Over half this sum will go towards satisfying American law relating to pollution control and fuel efficiency.

Debate

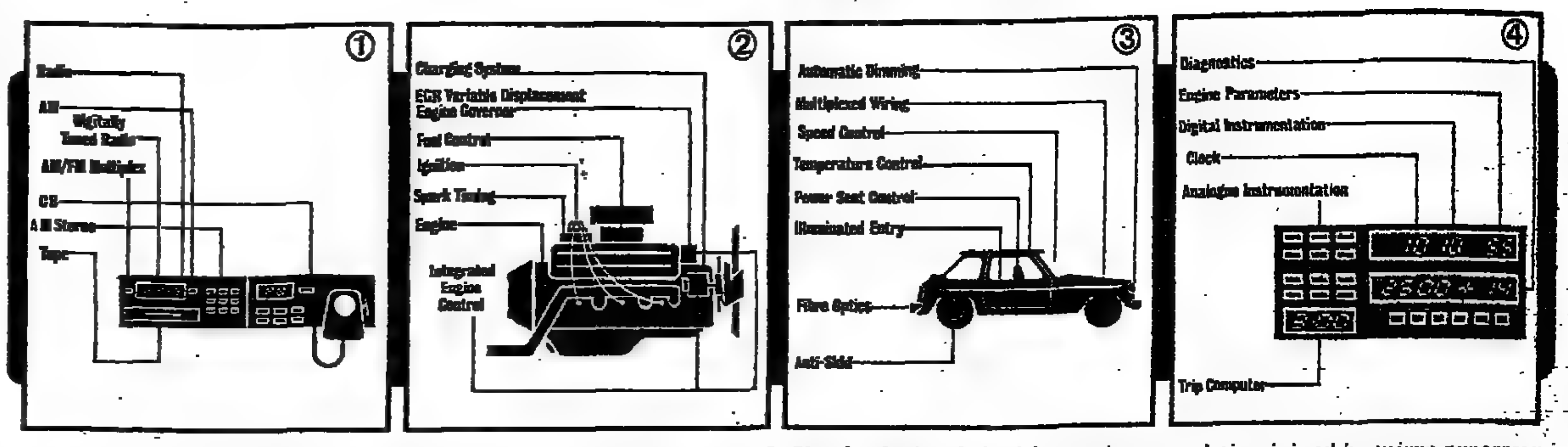
In Europe no such legislation is in force although much debate about the possible introduction of laws governing fuel emission and pollution have been going on for some time. So there has been very little incentive for European car manufacturers to invest large sums of money in developing such systems. Only models for export to the U.S. need to be fitted with such equipment.

It was the U.S. Energy and Policy Conservation Act which set standards for fuel economy. This, coupled with the 1970 Clean Air Act, forced car manufacturers to look to electronics as a cheap solution to the problem. Not only does a car have to conform to the regulations as it comes out of the factory; it has to meet them equally after it has been driven at least for 50,000 miles. The U.S. Act specified that by 1980 a car will be required to obtain 20 miles to the U.S. gallon—or 24 miles to the larger British gallon. By 1985, however, the target is 27.5 miles per U.S. gallon, or 33 miles per British.

So manufacturers have looked into ways by which microprocessors—computers shrunk on to a tiny chip of silicon—can control the engine and monitor the exhaust system so that it is more fuel-efficient and does not pollute. Every car in the U.S. has to be fitted with a catalytic convertor whose function is to make the pollutants coming from the engine change into less harmful products.

To ensure that such a system is working correctly, however, there must be accurate control of the air-to-fuel ratio entering the car's carburettor.

The oxygen content of the exhaust is also a guide to whether the air/fuel ratio is set correctly. Measuring the amount of oxygen in hot exhaust fumes is difficult but it can be done with electronics.



1. In-car entertainment electronics already an established market. 2. Simple electronic ignition systems are being joined by micro-processor engine controls. 3. Anti-skid braking already on the market; other safety designs well advanced. 4. Instruments to estimate journey length and diagnose faults

A sensor placed in the exhaust can measure the oxygen content and relay this information back to an electronic circuit which corrects the air/fuel ratio, taking into account the temperature inside the engine and the time the car has been running.

This system can be designed as part of an electronic fuel injection system which allows the car to conform to fuel economy regulations.

Strangely enough, electronic fuel injection has been known since the 1950s but it has taken 30 years for the system to become economic through the use of silicon chips. In a fuel injection system the amount of fuel delivered to the engine is calculated by the silicon chip from three independent factors. These are engine speed, the temperature of the air and its pressure as it enters the intake manifold.

These factors are related to the performance characteristics of the engine, which are determined during its development. Data about its performance are stored in a tiny semiconductor memory which is part of the fuel injection control system. During each cycle of the engine the three measurements are taken and the electronic controller works out the exact amounts of fuel to be given to each cylinder by electrically actuated valves.

Once one microprocessor is fitted to a car the device, perhaps with the help of other microprocessors, can look after other functions as well. By 1976 General Motors in the U.S. had already developed a prototype car computer called the Alpha V which could measure 34 separate factors about the car's performance including standard elements like speed, fuel level, time and battery voltage, and additional factors like fuel economy, oil pressure, average speed for journey, and distance travelled as well.

In addition, if the driver keyed in the estimated length of journey the computer would also show estimated time of arrival. At the same time the system would control the engine.

But General Motors, which has its trip computer in its Cadillac Seville, is not alone with the design of such systems. The U.S. semi-conductor company National Semiconductor is involved with several U.S. organisations on the design of trip computer systems. For example, another company called Zemco uses National's circuits for its Compucruise which has several interesting features.

It can maintain a selected speed, indicate the most efficient driving speed, show the brand and grade of fuel which is the most economical and indicate the effect of tyre brands and pressure on efficiency. In addition it can warn the driver when a tune-up is needed and, the makers claim, tell whether a tune-up has been properly carried out.

Another variation of the trip computer is a system developed by another U.S. company called Prince, with which it is possible to programme in trip stops and turn-offs. The computer warns the driver when the vehicle is a mile from a junction programmed in the computer's memory.

Safety

As well as engine management and instrumentation there are other electronics devices which can monitor and control factors related to the safety of the car's occupants. Bosch, the West German car company, has been developing electronic anti-skid systems with the help of the U.S. AMI group.

Even before on-board computers become a common feature of cars it is probable that mechanical instruments such as the speedometer will be replaced by electronic devices with no moving parts. Since this change will not add anything to the performance of the vehicle, however, the decision to use electronic instruments will have to be based solely on cost. Motorists are unlikely to be willing to pay for electronics systems just for the novelty of having them in the mass-produced range of cars they already consider expensive.

But electronics instruments will probably be more reliable. They will initially be direct replacements for mechanical counterparts but as electronics begin to pervade the whole of the vehicle it is more sensible to treat the whole dashboard as one instrument.

Many companies are looking into ways of making a single electronics panel to show all the information the driver needs. It would cut down maintenance and installation costs because only one item has to be fitted to the car to show distance travelled, battery level, radiator temperature, oil pressure, fuel level and as many indicators as necessary such as headlight dip, seat belt and handbrake warnings.

Organisations are also investigating the use of optical fibre systems—hair-thin strands of glass—to replace traditional electrical wiring in a car. This would not only be lighter but would also be immune to the very noisy environment of the vehicle.

The final area of automotive electronics is the traditional field of entertainment and currently accounts for the highest value of electronics input in a car. It is not growing as rapidly as the other areas but companies are now designing digital tuning of radio stations which eliminates the electro-mechanical tuner now widely used. It allows the driver to select stations at the touch of a button.

In the 1980s the use of electronics in all parts of the car is likely to increase dramatically. In the U.S. about 20 to 30 per cent of production was estimated this year to incorporate some of the features which have been described here. European growth will take longer since people this side of the Atlantic are more austere in the choice of cars and do not demand the standards of comfort taken for granted in the U.S.

Elaine Williams

Steady improvement in energy saving

SINCE THE first oil supply crisis in 1974 the European car makers have improved the fuel consumption of their vehicles by about 10 per cent. Now they have pledged to improve performance by another 10 per cent by 1985—which is not very far away in automotive industry terms.

Most of the easy changes have been made. Where does the industry go from here?

What everybody agrees is that there will not be any dramatic breakthrough which will suddenly give every car the ability to go 50 miles on a gallon of fuel at 50 miles an hour.

The industry will take the same approach most of us follow when faced with a salami sausage. In one big chunk it is unappetising and inedible. But slice it thin and it can be tackled easily.

The motor industry is tackling the huge fuel consumption problem one slither at a time.

For example there is still much to be gained by cutting down the weight of cars. Not just the large components, but the small ones as well. In the U.S. one company has switched from a metal clutch activator to one made from plastic — reducing the weight from 1400 grams to 350 grams. That might not be many grams but if the weight of every component could be reduced by a similar percentage fuel consumption would improve tremendously.

By 1985 weight reductions of up to 10 per cent will be practicable with new car models, compared with existing models of similar size, through increase use of modern, lightweight materials and improved methods of construction.

The constraint in this area is that the manufacturers must not only maintain existing safety standards but improve them while cutting back the weight of vehicles.

The use of lighter-gauge body panels may increase corrosion problems—which is why so many of the manufacturers have been announcing improvements to their rust-proofing procedures at the factories.

The industry will turn more to aluminium and plastics. One estimate from the U.S. is that the automotive industry there was using around 5 kilos of plastic per vehicle in 1955 and will use around 90 kilos this year. By 1985 the figure will move up to 150 kilos and by 1990 to 220 kilos.

According to the recent interim report* of the Working Group on Fuel Consumption Targets—a group which draws its membership from the UK Departments of Industry, the Environment, Energy, Transport and Treasury, and the motor and oil industries—the average scope for real improvement in car fuel consumption from weight reduction by 1985 is around 3 per cent.

The working group estimated that the savings from improvements to existing engines could be in the region of 4 to 8 per cent by 1985. And it pointed out that in a newly-designed engine it should be possible to achieve improvements in fuel economy of up to 15 per cent compared with the current average "and such engines could be in production by 1985."

Radical new types of engine, such as the stratified charge engine, offer the greatest long-term potential for substantial fuel saving, but their present state of development and the long motor industry lead times make it unlikely that they will appear in any volume before the 1990s.

In the shorter term improvements in engine economy can be expected from changes in ignition systems and in the accuracy of metering the fuel input. By 1981 electronically controlled transistorised ignition equipment is likely to be coming into general use in new cars, giving precise control of ignition timing.

Greatly improved carburettors and induction systems will be developed to give more even mixture distribution between cylinders.

For the medium term "lean-burn" engines which can operate on weak fuel-air ratios without misfiring, are being developed. Turbo-charging, to provide additional power during periods of acceleration or high load, may make it possible to use smaller engines while providing a better overall matching of power output and road requirements.

Control

Towards the end of the period to 1985 electronically controlled fuel injection equipment may gradually replace the carburettor giving even closer control over the amount and timing of the fuel delivered to each cylinder.

There is some further scope for optimising engine operating conditions although this involves micro-processor control of either the carburettor or fuel injection equipment.

But while the pace of development in this area seems likely to be rapid, the working group said it is unlikely that such circuitry will have more than limited introduction in the automotive field by 1985 and "any general adoption of systems for total control of the car's electrical and mechanical appartus is certainly outside the timescale."

In the short term the best prospect of improved fuel economy through improvements in transmissions lies in achieving a better match of engine speed and road requirements, to which the fitting of overdrives or fifth gears can contribute.

Losses with automatic transmissions may be reduced by the use of converter lock-ups or split-torque arrangements which prevent "slippage" at cruising speeds.

For the long-term future continuously variable transmissions offer the prospect of significant fuel savings but these will not be developed by 1985.

Some manufacturers have scope to produce real savings by improving the aerodynamic efficiency of their cars. For example, the working group estimated that while some car models were already being produced at near-optimum levels of aerodynamic efficiency, others offered scope for reductions in aerodynamic drag of up to 30 per cent.

Just how far and how fast the industry makes progress does not depend entirely on technology.

Other factors include the car purchasers' willingness to accept new car design, the ability of the manufacturers to earn the money to pay for developments and legislation covering environmental and safety aspects of vehicles.

The UK Society of Motor Manufacturers and Traders when presenting its paper (SMMT) "Energy and the Motor Industry"† last month estimated that the emission control regulations to be introduced in the European Community early in the 1980s involved a 3 to 5 per cent cost in energy.

If Europe moved to American emmission control standards it would add 15 to 20 per cent to fuel consumption.

The SMMT also made the important point that in the immediate future economies in the use of oil fuels in road transport were in the hands of drivers and operators who should employ better driving practices, limit non-essential journeys and improve vehicle maintenance.

As one German designer said recently: "The industry is spending millions to improve fuel efficiency of our cars yet the driver who sits at the traffic lights and continuously revs his engine wipes out all we will ever be able to achieve in the medium term."

The answer to the unthinking car driver might well be electronic visual display units which give instant information about fuel consumption.

The argument is that such display systems, already available and which are being bolted on to cars in Japan at the rate of 1,000 a day, remind a driver that some techniques are highly expensive in fuel consumption terms.

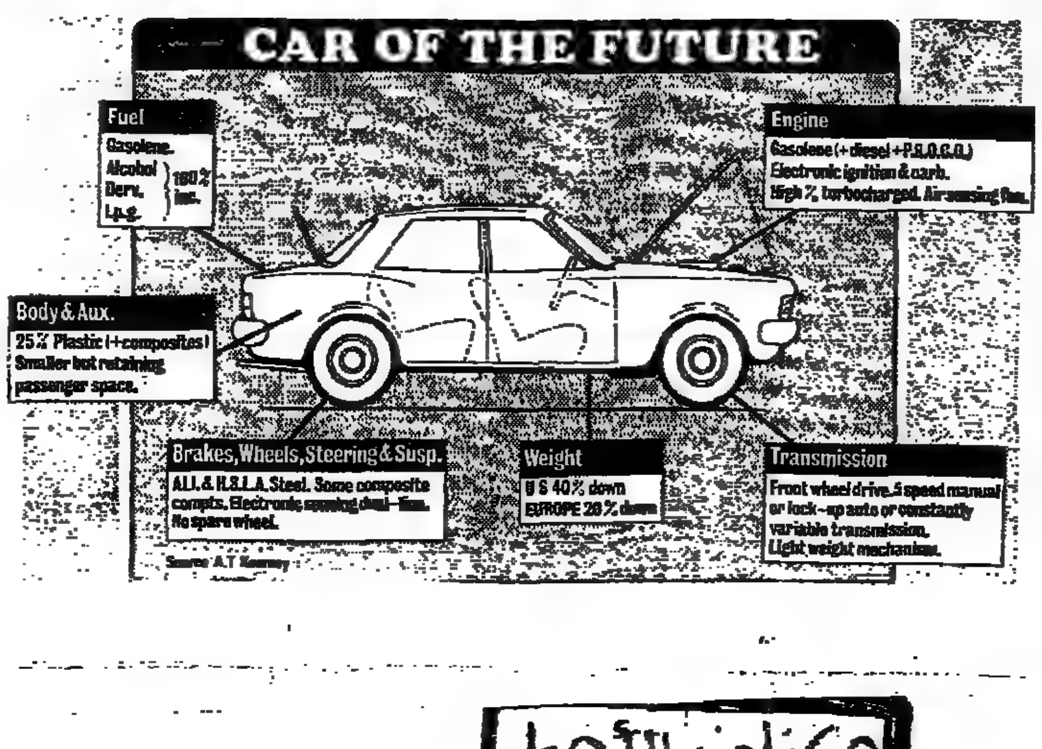
But one way or another drivers will have to pay for progress. The new lightweight materials generally cost more than those the industry has used traditionally. More efficient engines require parts made to finer tolerances—and that costs more.

As Sig. Vittorio Ghidella, chairman of Fiat's car subsidiary, suggested recently: "In the 1980s cars will be more reliable, need less servicing, use less fuel and last longer. But they will include many more sophisticated gadgets and so they will cost more."

** "Interim Report of the Working Group on Fuel Consumption Targets." Issued by Department of Energy.*

† "Energy and the Motor Industry" published by the Society of Motor Manufacturers and Traders.

K.G.



Component makers seek broader base

IT IS still too early to tell whether the advent of the so-called "world cars" in the 1980s will be a blessing or a disaster for the European component manufacturers. At the moment, however, those who maintain it will on balance bring benefits seem to be getting the best of the argument.

The point is that "world cars" will not exist. Each major market will have cars to suit it in terms of looks, ride, fittings, fixtures and so on. But there *will* be "world components."

Sir Terry Beckett, chairman of Ford UK, suggested recently that European companies were well-placed to supply components for the world cars. They had a good opportunity to supply engines, transmissions, back axles and so on—"the valuable heart of the motor car."

On the other hand, Mr. Peter Batchelor, sales director of AC Delco, the General Motors European automotive components division, maintains: "Only the really big components suppliers are going to have the resources to keep up with the changes, not just in technology but output as well. It now costs around £50m to develop a new model and get it into production. When you remember that 35-40 per cent of its value is going to be in bought-in components you are talking about research and development on a huge scale by suppliers and that means they have got to be big."

But many people in the industry do not see it quite that way. For example, a small—by motor industry standards—company focusing its expertise on a very narrow specialisation is much more likely to come up with the answers the car assemblers are seeking than their own more broadly-based engineering department.

"You don't have to be a giant. But in the field in which you are operating you must be in touch with world markets and their requirements," was the way Mr. Brian Knibb of the A.T. Kearney consultancy group, put it recently at a seminar organised by stockbrokers Phillips and Drew.

Component companies which are to survive in future must, in Mr. Knibb's phrase, be "information rich." He insists that "the accumulation and maintenance of information will itself be a challenge" but there are so many current uncertainties about technology, materials, design and so on that component makers must be able to call on a worldwide bank of knowledge and expertise.

The problem is that the car assemblers have different engineering teams trying to reduce weight or improve efficiency in different parts of the car: engines, transmissions, bodies and electrical equipment, and in some areas the work is divided up into even smaller sections.

Castings

Mr. Knibb gives this example. "It is quite likely that an engine designer will be investigating the use of aluminium castings, and he may produce designs for cylinder blocks, cylinder heads and many other parts. However, someone else may be *investigating* the use of thinner iron castings or thin steel pressings for brackets instead of *aluminium* castings.

"Meanwhile, transmission designers may be thinking along similar lines, so the manager of the aluminium foundry may think that there is going to be a big switch to the use of aluminium whereas in the end the use of thin-wall iron castings may be adopted."

So the problem facing the component supplier is how he keeps or increases his share of the available business without wasting all his investment in projects that will never come to fruition. This is difficult even for the car assemblers because the events are happening over a broad geographic front as well as on different timescales.

Those "information rich" companies with up-to-date information on a world basis are likely to make fewer mistakes. It is also likely that those companies with technical leadership—either with a product or process or application—will survive the world car era even if they are not huge corporations.

The U.S. car assembly groups have been turning in particular to European technology as they "downsize" their vehicles and move towards setting up component networks for the world cars to come. After all, the two major groups, General Motors and Ford, have well-established European operations from which to draw experience.

But although the European companies are well placed in this respect, the risks are daunting. Suppliers which invest heavily in some high-technology product could easily find, given today's fast-changing conditions, that they have invested in technology already out of date and that the potential customer has turned to another company for its supplies.

The automotive industry has always had to write off the cost of some products which do not make it to the production stage —a figure of £100m is quoted for General Motors' flirtation with the Wankel engine, for example, much of which had to be borne by potential component suppliers.

But in the next few years there will be many more pro-

CONTINUED ON NEXT PAGE

The price of making safer cars

THE MARRIAGE of a reduction of weight and fuel consumption in cars with improved safety measures was the theme of Peugeot, the French car manufacturer, at its presentation this year to the 7th International Technical Conference on Experimental Vehicles in Paris.

But in discussing the role of its experimental VLS 104—a light safety vehicle — Peugeot said that it would be impossible to adopt all the safety measures assembled in the VLS. "They would together weigh and cost too much. We shall have to chose from among them those which most improve safety without jeopardising the necessary reductions in weight without imposing on society unacceptable extra costs."

Car manufacturers throughout the world are actively pursuing these two imperatives. In particular the two go hand in hand in the U.S., where big cars have always been seen as "safe cars." Now, with the necessary reduction in car size, new safety regulations are being imposed by the Government. The supervisory body, the National Highway Traffic Safety Administration (NHTSA), has said it will make sure that the reduction in size will not be at the expense of safety. Ms Joan Claybrook, NHTSA's administrator has said: "We want to save oil imports. But not at the cost of more lives lost and more people badly injured."

Standards

In Europe car manufacturers are not under such heavy restraints vis-a-vis safety legislation but there are strong efforts being made at present to harmonise existing legislation within the EEC and institute new standards. One EEC group actively pursuing this end is an EEC working party on the "Elimination of Technical Barriers to Trade" among member States. At the moment "whole vehicle type approval" has been agreed and implemented by members. It at the moment applies only to certain items such as brakes and seat belts.

However, in Geneva a further body, called "Working Party 29," under the UN's Economic Commission for Europe (ECE) is working on increased harmonisation, including safety regulations, with non-EEC countries such as Japan and America. Japan, for example, has now agreed that for approval for certain regulations it will now accept compliance with test information from EEC or ECE requirements.

Mr. Kenneth Barnes, director of the Society of Motor Manufacturers and Traders' Technical Department, said "The main problem over harmonisation is the U.S. As yet we are not being very successful because the Americans tend to go their own way. For example, the U.S. has taken part in ECE discussions over regulations concerning the driver's field of vision. Although the U.S. has not come out with its final rule the indications are that it is only likely to take part of the draft regulations into its own.

"But perhaps with the U.S. manufacturers making changes to their vehicles and looking towards more exports they may pay more attention to other countries' regulations."

Non-harmonisation of regulations concerning car specifications pose very real problems for manufacturers exporting to countries which have implemented new legislation faster than the authorities in the manufacturer's home country. A manufacturer therefore has to over-specify on all his production or else market only a restricted number of his models, fitted with, say, unique emission controls, to those export markets.

Mr. Barnes said one of the main obstacles towards harmonisation in the EEC as far as the UK is concerned is that other members are looking for more stringent exhaust emission levels. "We believe there is no proven case for more stringent regulations," he said.

"We believe that on the present information it is more important to save energy. If certain requirements over emission controls are strengthened in the community we in Britain may not be able to make our promised 10 per cent in energy by 1985."

As far as safety legislation harmonisation within the EEC is concerned Mr. Barnes said he could not see a time when total harmonisation is achieved because "something new always seems to crop up."

The UK itself is demanding stricter regulations on MOT testing and according to new measures announced by the Government the computer at the Vehicle Licensing Centre, Swansea, will be used to locate owners of cars with safety related defects as part of a new code of practice announced by the Department of Transport and car manufacturers.

This voluntary recall system has not appeased the wrath of the British Safety Council. It has long advocated the U.S. system of open vehicle recall and a car-safety hotline for private motorists to phone into a government department outlining safety defects on their cars. It has long condemned the fact that Britain has no independent system for publicly monitoring car defects and no compulsory system of recall.

One of the major divergences of opinion between U.S. and European car manufacturers is over passive restraint systems. The airbag, for example, may become compulsory equipment in U.S. cars in the early 1980s and is a method of protecting the car occupant who is seat-beltless. The bag is of rubberised nylon and is stored in the steering wheel hub and inflates when the car crashes thereby preventing the victim going through the windscreen.

In Europe the lap and diagonal seat belt has become standard equipment. Britain is the only major European country not to have made belt wearing compulsory.

Renault, the French manufacturer, which unveiled a new safety car prototype — the Epure — at the International Safety Vehicle Conference, noted there was still a marked reluctance on the part of motorists to wear safety belts, despite their proven value.

According to an accident study performed by Renault, belt wearers are 2½ times less likely to suffer injury on an accident than those not wearing belts.

Frontal

But Renault said that in a 40 mph frontal impact the simple wearing of a belt was not enough. "There must be some means of tightening the belts on impact, so that occupant become an integral part of the car, and thus obtain the full benefit of its structural protection, instead of being thrown around the car."

For this reason the Epure — based on the Renault 5 and 14 —is equipped with a new system which can reel in 4 inches of belt very quickly. Renault says the system was devised to react with the greatest possible speed, since the entire process of a 40 mph impact is over in about a fifth of a second. Renault claims that an impact can be sensed by the Epure system in one hundreth of a second and the belts fully tightened one hundreth of a second after that.

Other safety features of the Epure include its frontal structure, which is designed in such a way as to absorb and distribute energy in a more efficient way than at present while keeping the passenger compartment intact and free from intrusion.

The car was designed to meet stiff criteria. Belted occupants had to be able to survive a frontal impact with a fixed barrier at no less than 40 mph, a lateral impact from an equal weight vehicle at 31 mph, rollover at the same speed and rear impact from a 1.08 ton block moving at 21 mph.

Again the weight problem has cropped up with the car. In its present form the Epure weighs about 220 lb more than a car designed to meet present and foreseen regulations in this class. This is an increase of about 13 per cent, which implies increased fuel consumption as well as cost.

But the vehicle is a prototype. Renault did point out, however, at its presentation in Paris that passive safety features still have little appeal for car buyers. It pointed out: "It is therefore no use expecting advances in passive safety in a normal commercial environment; legislation and performance standards are essential."

But as a final point of appeal to the legislators it made the point that "it is important that the choice and form of legislation should be decided in consultation with car makers and other bodies carrying out safety research and knowing what measures are most likely to be cost-effective."

Lisa Wood

The Renault Epure prototype safety test car, which is based on the Renault 5 production model

Component

CONTINUED FROM PREVIOUS PAGE

jects and therefore many more risks for suppliers. Component suppliers will look for ways to spread those risks more thinly. Joint ventures will be much more common, and so will outright amalgamations, mergers and takeovers.

Among the more interesting joint ventures announced in the past year was that between Van Doorne of Holland, Fiat of Italy and Borg Warner's UK subsidiary—Borg Warner being a U.S. concern—to develop constantly variable automatic transmissions.

And the mergers which would have been significant—if they had come to fruition—involved GKN of the UK and Sachs of West Germany and Lucas of the UK and Ducelier of France.

Ironically, local resistance prevented these going through—or in the Lucas case going through as originally conceived—whereas North American groups have been able to buy European businesses so as rapidly to establish technological and geographic bases in Europe.

In this category are the acquisition of Wilmot Breeden by Rockwell and the purchase of a majority interest in Turner Manufacturing by Dana Corporation.

How far will this amalgamation process go? A recent paper from AC Delco, the General Motors component manufacturing offshoot, pointed out that in the U.S. the three top car manufacturers produce 9m vehicles a year and there are about 30 major component suppliers. On the other hand, in Europe there are 12 major manufacturers producing only slightly more vehicles and buying from ten times as many suppliers.

The report went on to suggest that the number of car assembly groups in Europe will probably shrink to five by the end of the 1980s and the number of components companies will be reduced even more dramatically. That does not necessarily mean that many component suppliers will go out of business. Apart from the amalgamation course, some of them will probably use their existing expertise and technology to diversify outside the automotive business.

Some small companies might find their salvation in the "bolt-on goodies" — everything from fancy wing mirrors, paint jobs, seat covers and audio equipment — which are bound to become more and more in demand as standard volume cars get more and more alike. Customers will be looking for refinements and fittings to make their particular vehicle stand out in the crowd.

The obvious threat to the future of the larger component suppliers is the possibility that the car assembly groups, which already have many component manufacturing facilities of their own, might make even more for themselves because of the economies of scale provided by "world cars."

Lower

But, as Mr. John Harper, a director of Lindustries Management Services, suggested at the Phillips and Drew seminar, "the component companies will get their own economies of scale by manufacturing the same items for several models, for several manufacturers." So long as an outside supplier can offer components at prices lower than the car assembler could match with in-house production, the outside supplier will still keep the business.

"The investment involved in components is not just money. You need people and they invest their time. The original equipment manufacturers (or car assemblers) need to spread that investment too. They can do that by turning to outside suppliers," Mr. Harper pointed out.

There is one area where this might well lead to tension-electronics. The industry has forecast that the number of electronic gadgets attached to cars will rise from around 12 a vehicle in 1978 to 52 in 1988. The automotive industry and the electronics industry will have to get together.

However, the automotive industry, particularly in the U.S., is mature, slow moving, used to the evolutionary approach and one which sees its product cycles in terms of five to ten years. The electronics industry is fastmoving. Its managers are used to coping with rapid changes in technology. The approach could not be more different.

"The sparks could fly when the two get together," said Mr. Harper, aptly.

K.G.

A choice of car for every taste

DESPITE RATIONALISATION of components design by computer and, in some cases, assembly by robot, Europe's cars remain astonishingly diverse. The threat, which once seemed so real, that all cars would soon look much the same has receded. The fear that the convertible would be killed off by safety requirements has proved unfounded.

Oil crisis and rocketing fuel prices notwithstanding, Europe still has its multi-cylinder equivalents of the American "gas guzzler," though probably not for much longer. The really small cars such as the Fiat 126 and our own Mini have lost ground to vehicles that will carry four people in reasonable comfort on long journeys yet still make the most of every precious, costly gallon. Almost all European cars have become more fuel-efficient in the last year without the loss of driving enjoyment.

Enjoyment is still an important factor. However practical, beautiful and reliable a car may be, if it is disagreeable to drive for any reason, owners will look elsewhere when choosing a replacement. In Western Europe, the car makers ignore consumers' preferences at their peril.

Of the new—or at any rate, new to the British market—cars I have driven in the last year, some stand out for sheer technological excellence. One is the Daimler-Benz Geländewagen cross-country car, with its choice of four different petrol or diesel engines and manual or automatic transmission, plus a high/low range transfer gearbox and lockable differentials that can be engaged on the move. Porsche's 928 automatic (perhaps the best car I have ever driven) is another, though neither would win beauty contests.

The excellence of German engines continues to impress. There are no speed limits on the autobahnen. The manufacturers must cater for the customer who regularly drives his car flat out for hours on end, expecting it to do so uncomplainingly over high mileages. Thus German engines have stamina as well as smoothness.

Even quite ordinary cars such as the Opel Rekord (and this means the Vauxhall Carlton, too) are object lessons in high-speed mechanical refinement. Opel's new frontwheel-drive Kadett may well prove to be Car of the Year.

One expects Mercedes and BMW saloons to provide the kind of swift and satisfying motoring that the discriminating have become accustomed to. But this year Mercedes has brought similar benefits to the estate car buyer. Its range of four- and five-cylinder diesels, four- and six-cylinder petrol-engined estate cars lacks none of the saloons' comfort, performance and security. They are fast. The fuel-injected, 118 mph 280TE is certainly the fastest estate car now on sale; even the 240TD cruises at 90 mph.

Executive

Other German cars that stand out in a year's test driving are the Volkswagen Jetta (a three-box saloon developed from the Golf hatchback) and the VW Golf Convertible. The Jetta, due here next year, promises to give the smaller BMWs a run for their money, especially in its fuel-injected, five-speed version. The Golf Convertible combines saloon car weather protection and instant fresh-air motoring. Its hood is a work of art.

Snapping at the heels of Mercedes and BMW in the executive category are the Opel Senator and Monza (the Vauxhall Royale saloon and coupe are almost identical). Ford's Granada 2.8 litre, especially with Ghia trim and Michelin's TRX supertyres, and the five-cylinder Audi 100s, I would rate equally highly. The just announced turbocharged Audi 200 and the Alfa-Romeo Alfa 6 must also be Mercedes and BMW challengers.

Jaguar, whose Mk. III models appeared this summer, are still almost in a class of their own for ride comfort and lack of road induced noise. Their styling, face-lifted this year, has a classical grace. But the 12-cylinder Jaguar engine, though a technical tour-de-force and superlative to drive behind, must have a limited future. This year, BMW bit on the bullet and threw out their own ready-for-production V12.

The Rover V8 engine (perhaps a future Jaguar power unit?) has given the biggest Land-Rover new muscle and smoothness. And the Rover 3500 VSS hatchback now has the traditional interior Rover owners look for, plus air conditioning, at a price edging towards that of the Jaguar 3.4.

In France, the light alloy two-litre engine made in a plant jointly owned by Renault, Peugeot and Volvo, has been installed in the Peougeot 504's eventual successor, the 505. This car, due in Britain in a few weeks, compares well with any in its class for refinement and ride.

Within the last few months the same engine has brought benefits in performance, economy and sheer driving pleasure to the latest Citroen CX variants, the Reflex and Athena.

The Saab 900 Turbo is one of the most successful examples of the use of a small, exhaust-driven compressor to make a two-litre four-cylinder engine behave like a three-litre six-cylinder when a power boost for overtaking or hill climbing is required. Another memorable turbocharging application is by Peugeot. Its 2.3-litre Turbo diesel, baritone tick-over apart performs like a petrol engine in that civilised, long-striding car, the 604D.

Anyone who has noted the growth in the use of diesel cars across the Channel and who has experienced the economy and driveability of the latest models may share my regret at the UK industry's and Government's lack of appreciation of their virtues. While it is said that engines of the future will use perhaps 30 or 40 per cent less petrol than those of today, the diesel engine can achieve that kind of saving now, especially when used in towns.

The non-appearance of the promised BL Princess diesel is disappointing.

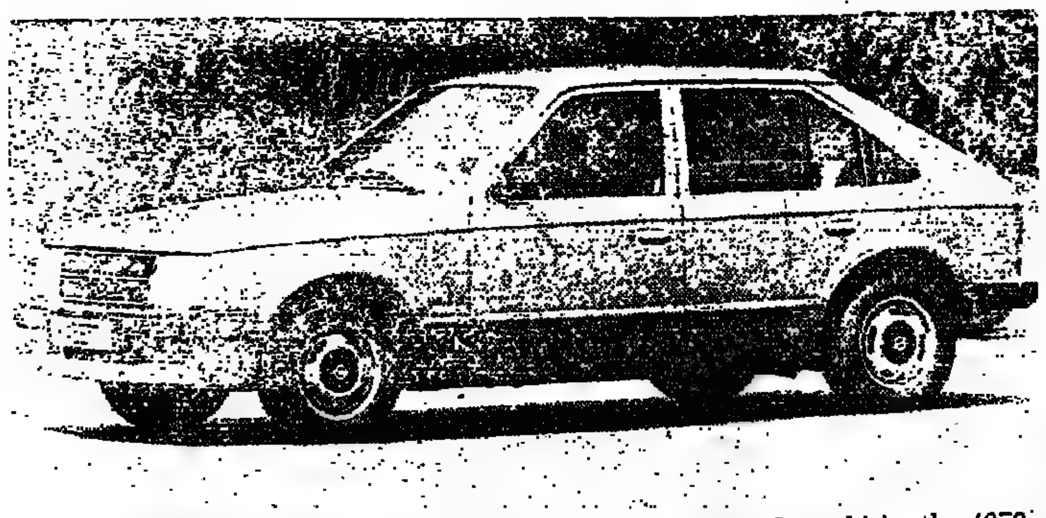
Renault's latest family-sized car, the R18, lacks character but its rather pleasing blandness is no drawback to buyers in a class dominated by the Ford Cortina. The Citroen Visa family hatchback remains a true Citroen even though most of its running gear is Peugeot. Its ride comfort is quite exceptional and the Club model's twin-cylinder air-cooled engine is vibrationless at speed, though UK buyers will probably prefer the Super's four-cylinder, water-cooled Peugeot engine.

The Talbot (once Chrysler) Horizon points the way all cars must go with electronic monitoring, and later electronic control, of engine functions. Fiat's Strada (Ritmo everywhere but the UK and U.S.) is more like a French car than a traditional, slightly sporty Fiat. But its comfortable seats and low noise levels make long journeys untiring. Any high mileage driver knows that these are the two things that really matter in a car.

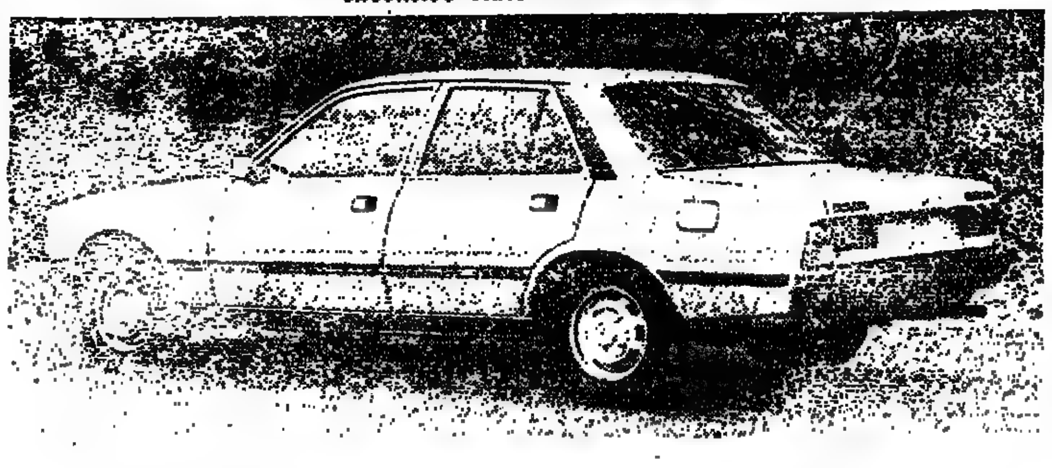
Curiously, some of the most "European" cars I have driven this year have been Japanese. The Colt 1400, with its dual-range transmission giving low geared flexibility and sharp acceleration in town, with seven league boot cruising at low revs on the motorway, is clever and innovative. The Mazda RX-7, a sports car with high performance and good handling, proves that the turbine-smooth Wankel engine does not have to be fuel swilling.

Daihatsu's Charade has a three-cylinder engine which must be rated a qualified success though its economy is undoubted. But this supermini has an excellent five-speed gearbox with a slick change. That seems almost an impudence in a car costing less than £3,000 in three-door form. Europe's car makers will be wise to keep as close a watch on Japanese trends over the next year or two as they have been on ours.

Stuart Marshall



Above: The Opel Kadett hatchback with front-wheel drive. It could be the 1979 Car of the Year. Below: The Peugeot 505, a smooth addition to the ranks of the executive class 2-litre saloons



Japanese worried about restrictions

THE JAPANESE motor manufacturers would like to increase exports to the Common Market countries but not if it stirs up further restrictions either from the Community in general or from individual member countries. The general feeling in the Japanese industry seems to be that it should be satisfied with the present situation and not do anything to rock the boat.

There is a real fear among the Japanese that the EEC countries as a group might consider some sort of restriction on car imports at the next trade meeting with Japan scheduled to take place early in 1980. This is a sensitive issue but some in the industry believe the Japanese Government should stand up for its motor industry and not back down in the face of European demands.

Current annual imports of Japanese vehicles to Italy are held at 2,000: France has asked for Japanese imports to be kept at around 3 per cent of the market. In the UK, Japanese imports are about 10 per cent and in West Germany they have reached about 5 per cent and there are indications that the Germans are becoming concerned about this penetration of their market.

According to statistics from the Japanese Automobile Manufacturers Association (JAMA) shipments of cars to Europe—not just the EEC countries—in 1978 were 745,932, representing a useful 16.2 per cent of total exports. Compared with this exports to the U.S. were 1,891,537 or 41.1 per cent.

In the first eight months of 1979 shipments to the Common Market countries rose from 420,426 in the corresponding period last year to 480,915.

The Japanese industry agrees that imports of foreign cars to Japan should be increased if the friction between Japan and the EEC is to be eased.

Mr. Jiro Yanase, president of the Japan Automobile Importers Association (JAIA), has indicated that eventually imports might increase to 200,000 a year or 5 per cent of the Japanese domestic market. That has to be set against 49,932 in 1978 and 42,190 in the first eight months of this year (compared with 33,057 in the same period of 1978). A JAIA executive estimates that the total for 1979 could reach 60,000.

Price is the main stumbling block to car imports in Japan. Imported vehicles in Japan cost about three times the price they command in their country of origin. However, recently some best-selling European models have been offered in Japan at only 10 to 30 per cent higher than in the home market, comparably equipped.

Japan abolished the 6.4 per cent import tariff on passenger vehicles some time ago and this, plus the higher standing of the yen against major currencies, has been a help in reducing import prices.

Successful

In 1978 West Germany was the most successful car exporter to Japan, with 28,688 registered, followed by the UK 2,107, Italy 1,639 and France 1,380. Imports in total accounted for a lowly 1.8 per cent of the Japanese market and reached 50,374.

Among the individual European companies, Volkswagen's Japanese sales in 1978 totalled 15,187, Mercedes 4,261, Audi 2,813, BMW 1,580 and Volvo 1,299.

The Japanese also realise they should be buying more car components from Europe as a way of balancing automotive trade. But the Japanese car assembly groups are used to prompt delivery which enables them to keep very low stocks and stable prices over long periods—something suppliers outside Japan find it difficult to match.

Many Japanese manufacturers have plants in Europe to assemble car kits, mainly because import restrictions force them to take this approach. The plants are in Ireland, Portugal and Greece. Output is limited and none of these plants is geared for export to other countries in the EEC.

For the record, the major Japanese companies say they have no intention of setting up any manufacturing operations in the Common Market. They suggest this would not be economical because of the small sales volume.

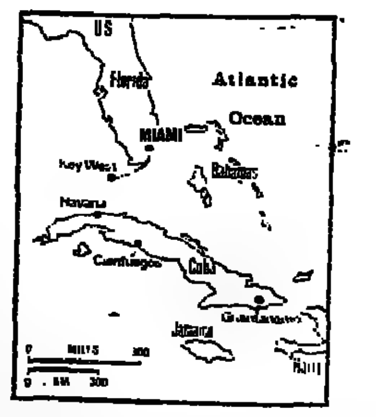
However, Honda Motor has reached a licensing agreement with BL (British Leyland) for the UK companies to manufacture a middle-range car of under 2,000 cc, with Japanese design, engine and transmission.

BL is expected to market this new vehicle in the EEC through its distribution network. It would not be exported to the U.S. or Japan or compete with Honda's own version. Honda expects a final agreement to be reached in "a couple of months." Various EEC approvals are still awaited.

By a Correspondent

Cuban exiles revive Miami

BY STEWART FLEMING



THEY CAME in the 1960's: by some estimates close to half a million Cubans arrived in the U.S. after Fidel Castro's revolution. Most setled in South Florida, with the densest population accumulating in a part of Miami to the south of the city known as "Little Havana."

Like many other immigrants into the American melting pot they were fleeing a political regime they feared. But in many respects the Cubans who were welcomed into the U.S. at least in part because of their presumed political convictions, were far from typical immigrants.

There is now a broad consensus that were it not for the drive of the Cuban and Latin American population of Miami, the city would almost certainly today be a rapidly deteriorating tourist spot with its best days behind it, populated by retired people, many finding it harder and harder to make ends meet in an inflationary age.

Instead Miami seems to be headed for a revival as a focus of commerce, banking and tourism for Latin American and Caribbean countries, albeit a revival tarnished with fears that illicit drug profits may be fuelling some of its growth.

Drug profits aside, a transformation of the economy has got underway in the past few years. Fifteen major U.S. banks, including Citibank and Bank of America, have set up offices in Miami from which they are orchestrating some of their Latin American and Caribbean basin business. Some foreign banks, Lloyds Bank among them, are also established and more are expected. Meanwhile several wealthy Latin American businessmen have bought control of U.S. banks based in Florida. The Isaias family of Ecuador, for example, controls the Republic National Bank of Miami which has assets of $200m.

At the town of Coral Gables, not far from downtown Miami, some 80 multinationals, including General Electric and Exxon, have set up regional headquarters for some Latin American operations.

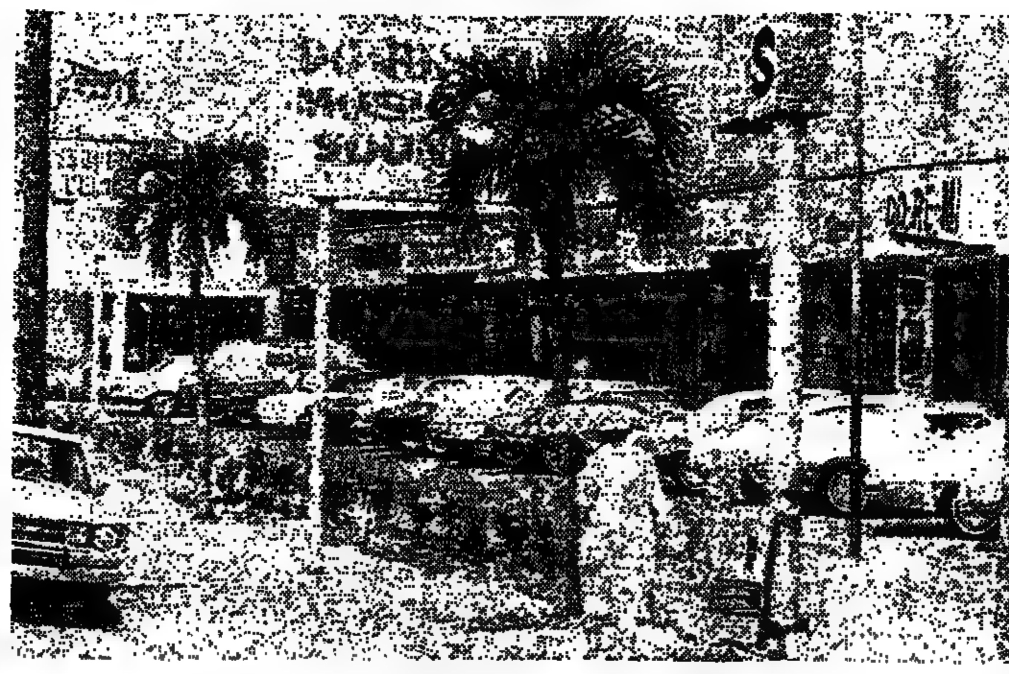
It is not only its commercial but also its social and political development which is setting Miami apart from any other major U.S. urban area. Miami is already well on the way to being a bi-lingual city. Voting ballots are printed in Spanish and English, the main daily newspaper, the Miami Herald has a Spanish language edition, El Miami Herald, and more and more companies require their staff to be bi-lingual. Unique among American cities it is south-ward looking, increasingly dependent on foreign countries, especially South American nations, for its prosperity.

This evolution has brought with it the prospect that when the votes are counted for membership of the five-person City Commission next month, Miami will emerge as the first big U.S. city with a government headed by a Latin American majority.

The Latin American dimension of U.S. society is a subject of growing significance and one which promises to have a great impact on many areas of the country's life. On some projections by the mid 1980s Hispanics—a generic term which tends to mask the distinguishing characteristics of groups as diverse as Mexican Americans, Cubans and Puerto Ricans—will outnumber blacks as the biggest minority group.

Whereas nationally the Hispanic population has tended to suffer above average unemployment and below average wage levels and to have made little impact politically in proportion to their numbers, in Miami the Hispanic, and particularly Cuban, population seems to be poised on the brink of translating an economic success story into political power.

However, while Miami is a city of almost 400,000 people, not by any means small, it is part of Dade County, Florida. The country wields considerable political power and there are no Hispanics on its nine-member Board of Commissioners or its School Board.



The area of Miami known as "Little Havana"

Having said that, Miami's significance, and wealth is growing rapidly now and partly because of a determined voter registration drive by Hispanic politicians, the city will probably become an Hispanic power base in November. At present only two of its five commissioneds (the mayor, Mr. Maurice Ferre, and Mr. Armendo la Casa are of Hispanic origin—Mr. Ferre is in fact of Puerto Rican descent) but unless there are some upsets the number will rise to three.

For men like Mr. Julio Castano, director of Miami's Office of Trade and Commerce, who feel that the white or "anglo" business and political establishment — men like Mr. Harry Wood Bassett, chairman of Southeast Bank Corporation—have excluded Latins from political influence, the event will mark a welcome breakthrough. There is no mistaking the Hispanic's determination, as Mr. Castano put it, to "demand" to be included.

But it is already clear that the rising political and economic influence of the Hispanics is a disturbing trend for the black community and one which is a source of tension. The immigrant Cubans, with their low unemployment and above average earnings have risen above the blacks in the social scale.

Ms. Athalie Range, one of the earliest elected black leaders, confirms that blacks, unlike the Cuban immigrants, suffer above average unemployment rates and below average wage levels. As bilingualism has spread Hispanics have also become preferred employees in service jobs such as hotels and restaurants. Professor Jan Luytjes, a respected observer of the economic scene in South Florida who works at Florida International University, has recently completed research which suggests that black entrepreneurs have suffered from the success of their Hispanic competitors.

He also draws attention to the inclination of the local community to ignore the social strains which may be emerging. "It is only fair to mention," he says, "that as our efforts intensified a number of individuals questioned the wisdom of our investigations (into black entrepreneurship) since they believed that the probability of coming up with a viable solution was practically nil and opening up this pandora's box would be more detrimental to the community than if matters were left alone."

Political and social change is one aspect of the radical developments in Miami, but underlying them is the new direction the economy has taken and its South American and Caribbean orientation.

In the early years of the decade the Miami metropolitan area semed to be destined for economic and social decline. Miami Beach, the famed resort on southern Florida's "Gold Coast" was losing its allure for tourists, in part because it was, quite literally, losing its beach which was being washed away. (Restoration is in hand now, with sand being pumped back from the sea to the shore, but some environmentalists suggests this is a stop gap.) Other tourist areas, some in Florida, gained at Miami Beach's expense.

A property boom in 1973 cast a false aura of prosperity over the region, but this was swept away in the 1974 credit crunch. Caught unawares Florida's property speculators and the people who financed them, banks and real estate investment trusts mainly, found red ink spilling all over their balance sheets. The regional economy, based too heavily on tourism and construction, looked even more exposed.

Even as that financial crisis was gathering, however, forces were at work which have already brought a new vision of prosperity to the area, revived the construction industry and filled the office space and shops which some feared would remain empty for years.

Today Mr. Roy F. Kenzie, executive director of the Downtown Development Authority, who comments that planning requirements for the city are so flexible he could build Manhattan island in the city, can detail over $1.5bn of office, hotel and residential property construction either under way or planned. Foreign investors are playing a significant role in this programme. Latin Americans are investing heavily in real estate.

The development programme which includes plans for new government offices as well as cultural and retail developments aimed at making Miami more attractive to tourists, also provides for $1bn to be invested, partly from Federal funds, in an urban rapid transit system. A conscious effort is being made to make Miami unattractive to people who want to drive and park there.

Behind the revival of downtown Miami is the surge in the numbers of Latin American and Caribbean tourists and businessmen who are visiting the city—around 2m a year. The excellent air service and proximity are factors behind this surge in traffic, so too is the growing wealth in some countries nearby, Venezuela for example. This has helped the growing export from South Florida.

According to a study by Professor Luytjes, the value of exports from the area has risen from $2bn to $4.6bn since 1974. But more significant perhaps is the fact that the area's share of U.S. exports to these countries has risen from 20 to 30 per cent. One factor, he suggests, is Cuban involvement in the import-export trade. Often Miami's Cubans ship to Cubans in import businesses in other Latin countries who had also fled the island after Fidel Castro's revolution.

But there are other elements in the direction in which Miami's economy is moving. A key one is that Miami is a Latin city now, and therefore a place where Latin American visitors feel comfortable. It is also a place where they can invest and run businesses. Some may want to take their profits in the U.S. and avoid tax, others keep their families in Miami for fear of kidnapping, others simply want to invest in the U.S. Some of this is "funk" money, funds being diverted from home countries because of political uncertainties. Undoubtedly Nicaraguan money found its way to Miami before the revolution there.

The volume of these funds is huge. Southeast Banking Corporation, the largest bank in Florida, says that of its total dollar deposits of $3.2bn, fully $800m comes from Latin America and is held in an astonishing 43,000 individual accounts. Perhaps a total of $2bn, bankers suggest, of similar funds are on deposit. Millions are pouring into Florida real estate, too.

There is, however, a seamier side to the picture of unbridled prosperity. According to Mr. Jack Eskenazi, U.S. attorney for the area, statistics on drug seizures suggest that Florida may now be the main gateway into the U.S. for the drug trade. He describes the routine violence between the gangs involved as "outrageous," adding that "astronomical" sums of money from the drug trade are being laundered through Florida banks. The U.S. Treasury has completed a study of bank note usage which supports the argument and is planning to tighten up on controls.

Mr. Eskenazi says that drug profits "have indeed been used in the establishment of other business ventures." Much of the traffic is believed to be in Colombian drugs and Governor Bob Graham of Florida went there at the end of September to discuss the issue. He told the Financial Times before departing that he is concerned that the drug trade "has become a serious virus in our state social system."

Thus, in its new found prosperity Miami has failed to destroy one image it has always had in the popular mind — that of a haven for hoodlums and gangsters, something which must worry those who see the prospect of the city developing into a prosperous commercial centre.

Letters to the Editor

Debited when you shop

From Mr. R. Cox

Sir,—To most people electronic funds transfer (EFT), particularly its potential use at retail point-of-sale, is a "riddle wrapped in a mystery inside an enigma": but the English and Scottish clearing banks are now involved in a study of its application notably at the retail shop level.

Because the banks, in their own words, do not want to allow undue publicity at this time for their plans, very little information is generally available for reasoned consideration by retailers or, perhaps more importantly, by ordinary consumers (who usually have to pay, either in higher costs or reduction of service). What the motives of the banking community are in maintaining such secrecy can only be guessed at, but when the plans are eventually unveiled sometime next year, it is possible that they (and the activities which they will put in train) will not be subject to much modification.

From the retail point of view further information, made generally available, would be welcome. We read (October 4) that Key Markets has just installed its first laser-scanning system; many other retailers are currently examining electronic point-of-sale systems with a view to investment in them in the next year or so. What bedevils this progress is the thought that all these systems will have to be made EFT-compatible to allow the immediate debiting of customer bank accounts which the banks want in order to reduce the high cost of paper handling. The Retail Consortium is now involved in tri-partite talks with the banks and systems manufacturers and one hopes that the result of these deliberations will trickle down to retail membership in spite of the banks' disdainful view of participation.

Perhaps even more urgently, consumer views should be sought. The banks have apparently not thought it necessary. In search of a speaker on the consumer implications of EFTs I approached the Consumers Association, the National Consumer Council, the Office of Fair Trading and other apparently representative bodies. The result of all inquiries was a resounding indifference: no one could be "fielded at the present time" was one response. Perhaps the feeling underlying this complacency is that EFT at the point-of-sale is a somewhat exotic animal which will not attack us for decades and which, given luck, may even go away in time: thus, there is little point in researching and discussing it now.

The banks obviously intend it to come; are we to stand in mute trust, particularly as ordinary consumers, and let it—without a shout?

Roger Cox,
Retail Conferences,
30, London Road,
Westerham, Kent.

Forestry taxation

From Mr. B. Howell

Sir,—Thank you for giving some publicity to the technicalities of forestry taxation (Men and Matters—October 3). It is a pity that you chose to emphasise redundant tax avoidance measures rather than to give consideration to the serious matter of providing a practical framework of tax rules for a vitally important and unique industry.

Forestry management companies to which you refer along with traditional landowners are engaged in providing this country with reserves of timber for the future — timber which will save us all a substantial proportion of the vast sums in foreign exchange which we spend on timber imports. Your readers may be unaware of the fact that we spend more on importing timber than anything else except oil and food, and you tell us that we shall soon be self-sufficient in oil.

Provision of these long term timber reserves depends upon landowners investing large sums now and forgoing any return for a very long time. It is absolutely necessary that such investment should be protected from ill-considered taxation treatment. Many of us in the industry believe that in most respects the right balance has now been struck and that the present framework of taxation is just, although some important details must be resolved.

If changes are made they will derive from detailed discussions between the Inland Revenue and those in the industry who fully understand the complex nature of fiscal support for forestry. Our concern will be to ensure continuity of supply of timber products (from which you, Sir, as a consumer of newsprint will benefit), not to give succour to ailing millionaires.

B. N. Howell.
Fountain Forestry,
Lower North Street,
Cheddar, Somerset.

Controlling monopolies

From Mr. M. J. H. Marshall

Sir,—Your leading article "Controlling monopolies" (October 4) draws attention to the lack of clear policies of successive governments towards nationalised industries and the newer state-owned corporations. Equally, the development of competition policy in the UK has been pragmatic but is becoming clearer through the work of the Office of Fair Trading. (The director-general's powers are due to be strengthened with the enactment of the new Competition Bill).

The point that concerns many people, surely, is that we have in the UK some very different types of organisation in state control, each type needing a different approach. Those organisations which can trade internationally should be encouraged greatly to do so subject to the disciplines of competition law, while those which are truly public utilities operating in the domestic market need a clear operating framework and control structure.

Your criticism of the Monopolies and Mergers Commission is unfair. Their function is not executive, but to investigate, report and recommend to the Secretary of State. In my experience they perform an effective function with very limited resources compared to their opposite numbers in other jurisdictions.

The director-general of Fair Trading has powers and duties under the Fair Trading Act to monitor commercial activities and it should be possible to extend his duties in the Competition Bill (Clauses 11, 12 and 13) so that he, as well as the Secretary of State, can enquire into possible abuses by nationalised industries.

M. J. H. Marshall,
105, High Street,
Sevenoaks, Kent.

Accidents and bargains

From the Economic Adviser, Burge and Co.

Sir,—It would be tragic to lose the point I made (September 18), namely that accidents and injuries in industry fall in periods of "incomes policy," by any misunderstanding with Mr. B. C. Brown, director of statictics, Health and Safety Executive (September 21), affecting the data used. Accident data is notoriously difficult to collect, classify and interpret.

A simple solution for us lies in using the data for all UK manufacturing accidents. Further, the use of an index like "Incident Rates per 100,000 employes" overcomes most classification difficulties. Mr. B. C. Brown has kindly confirmed that the accompanying table is in agreement with calculations made in his office.

Accidents in Manufacturing Industries: Incidence Rate per 100,000 at risk

Year	Accidents per 100,000 at risk
1973	3,710
1974	3,520
1975	3,490
1976	3,480
1977p	3,590
1978p	3,620

p = provisional

The good years, 1975 and 1976, coincide with periods of "Incomes policy" in the UK. Since the numbers of people in manufacturing employment are large, the falls in accident rates in 1975 and 1976 are meaningful.

I reaffirm the point that my discussions in industry suggest that negotiations by management and unions for the introduction of safer working practices enjoy more time and peaceful co-operation in periods of "Incomes policy."

A. G. Horsnail.
25 Worship Street, EC2.

Two classes of shareholder

From Mr. C. Wyatt

Sir,—Fund managers of the big institutions are making it very clear that they expect "special relations" with the companies in which they invest. In other words there are now two definite classes of shareholder—big and small.

Fair enough. It is a good thing to see shareholders taking an active interest, but surely the institutions could afford to make available the benefits of information gained by such "special relations" to all other shareholders if requested.

On September 28, for instance, your paper reported that the Pru and the Kuwait Investment Office pulled rank with their combined 17 per cent holding in Decca to have a meeting with its chairman, Sir Edward Lewis. From the wealth of information subsequently released to other shareholders—also no doubt worried by the recent results—it is clear they discussed nothing of importance. If they had, they might, albeit unwittingly, have broken one of the lesser-known Stock Exchange rules. Especially as the meeting took place in the sensitive time between publication of results and the AGM.

This rule states that it is the duty of a company's broker at such times to monitor any meetings between companies and their shareholders so that any price sensitive information revealed can be transmitted to other shareholders by general notice.

How much better if the broker was no longer left with a conflict of interest between his club—the Stock Exchange—and his employer—the institution. All that is needed is a mandatory transcript paid for by the institution demanding the meeting.

C. F. W. Wyatt,
Wyatt Associates,
Malcolm House,
12 Orange Street,
Haymarket, WC2.

Metered 'phone calls

From Mr. A. Stobart.

Sir,—The electricity, gas and water services have meters on users' premises. Why is this not done for telephones, now we have most calls recorded on a meter?

A. F. Stobart.
Manor Farm,
Claydon,
Banbury, Oxon.

Peter Grimes in Japan

From Mr. B. Dennis-Browne

Sir,—Having just returned from a business trip to Japan, and having been fortunate enough to attend one of the Covent Garden opera performances, I read with great interest your article (September 29) covering this historic visit of our company, of which we are all so justly proud.

One important point I must correct, or perhaps update, may be of interest to your readers who read Saturday's article. The opera which I chose to see from the three performed was Peter Grimes. I had seen Jon Vickers' interpretation in London (and also at La Scala when our London company took it there a few years ago), and wondered how the audience would react to this strange and different music without prior study. I knew however, that they would be bowled over by everything that Jon Vickers did and sang in the part.

In your article you referred to the fact that 70 per cent of the Grimes tickets were still unsold one week after the beginning of the tour. Your readers will be delighted to know that at the second performance in Tokyo which I attended, there was not an empty seat. The ovation at the end of the opera lasted just under eight minutes and the entire company, including Jon Vickers Geraint Evans and Colin Davis seemed genuinely thrilled with the reaction from a most attentive audience. The local Press after the first night was excellent and referred to the deeply moving performance of Vickers, surely one of today's greatest operatic interpretations.

B. J. Dennis-Browne
Rokeby,
3, Winterbourne Grove,
Weybridge, Surrey.

Today's Events

GENERAL

U.K.: National Economic Development Council meeting, London, to review Economic Development Committees and Sector Working Parties.

Zimbabwe-Rhodesia constitutional conference resumes, Lancaster House, London.

ITV unions meet companies with peace formula.

Transport and General Workers Union members mass meeting at Vauxhall, Ellesmere Port.

Sunday Times management and NATSOPA clerical chapel discuss redundancies.

Informal preliminary meeting of participants in public inquiry (to be held November 27) into proposed second passenger terminal at Gatwick Airport, Crawley.

Two Transport and General Workers Union officials accused of extortion after last winter's lorry drivers' strike, Sheriff Court, Kilmarnock.

Sir Kenneth Cork, Lord Mayor of London, greets President of Municipal Council of Penang at Heathrow Airport; receives Commissioners of the Inland Revenue, Mansion House.

Mr. Harold Macmillan names an electric locomotive after himself at Euston Station.

Mr. Henry Cotton receives Walter Hagen Trophy for services to golf, Simpsons, Piccadilly.

Two-day London Book Fair opens, Grosvenor House.

Overseas: Warsaw Pact countries meet in East Berlin. Mr. Leonid Brezhnev, the Soviet leader, makes speech on Cuba.

Mr. Knut Fryden, Norwegian Foreign Minister, addresses Council of Europe Assembly, Strasbourg, in his capacity as chairman-in-office of the Council of Ministers of the Council of Europe.

OFFICIAL STATISTICS

Wholesale price index numbers (September—provisional). Personal income, expenditure and saving and company profits (second quarter). Housing starts and completions (August).

COMPANY RESULTS

Final dividends: Glaxo Holdings. S. Lyles. Scottish Metropolitan Property. Startrite Engineering Group. Interim dividends: Ayrshire Metal Products. Edinburgh Investment Trust. Freemans (London S.W.9). Hunting Gibson. Albert Martin Holdings. William Pickles. Reed Executive. Wolstenholme Rink.

COMPANY MEETINGS

See Financial Diary on page 18.

BIDS AND DEALS

Armstrong and GKN agree exchange terms

TERMS have now been agreed between Guest Keen and Nettlefolds and Armstrong Equipment for the exchange of certain subsidiaries first announced in August.

GKN is to pay £14m for Armstrong's automotive replacement parts wholesale and retail outlets in the UK, Ireland and France, and Armstrong is to buy Firth Cleveland Fastenings from GKN for £2.1m.

Armstrong's shareholders will have to approve the deals at a special meeting on October 25 because of their impact on the overall nature of the group.

The Autoparts business which GKN is to acquire accounted for £22.1m of Armstrong's £94.4m turnover in the year to the beginning of July, and for £1.5m of group pre-tax profits of £8.75m. Net tangible assets attributable to Autoparts are said to be £13.3m, before deducting inter company loans, while Armstrong's total shareholders' funds at the year end amounted to £48.5m.

Armstrong's Board explains that the cash proceeds will be spent on expanding the automotive component manufacturing sides of the group and on fastenings and engineering expansion both organically and through acquisitions.

With the purchase of Cleveland, Armstrong will get net tangible assets of £3.3m (before deducting inter company loans) but little profits. Cleveland made pre-interest profits of only £14,000 in the six months to the end of June on a turnover of £4.5m.

For both companies the deals form part of a significant pattern of acquisitions over the past year. Armstrong had already bought four companies during the past financial year and announced that it expects to buy a similar number this year, despite the poor start due to the engineering dispute.

GKN has been actively building up its distribution network for motor parts through acquisitions. In February it bought Parts Industries Corporation in the U.S. which has a turnover of nearly £50m. Then in May it made an agreed £40m bid for Sheepbridge Engineering which also specialises in distribution.

With the acquisition of Autoparts, GKN will have trebled its motor parts distribution side and it does not intend to stop there. Last month it announced talks with Unilever to buy a majority stake in Unigep, the French parts distributor which has a turnover of £30m.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Ayrshire Metal, Edinburgh Investment Trust, Freemans (London SW9), Hunting Gibson, Albert Martin, William Pickles, Reed Executive, Wolstenholme Rink.

Finals:—Glaxo, S. Lyles, Scottish Metropolitan Property, Startrite Engineering.

FUTURE DATES

Interims:—	
Berekeley Hambro	Oct. 15
Mowlem (John)	Oct. 11
Nathan (B. and I.)	Oct. 15
Photax (London)	Oct. 16
Runciman (Walter)	Oct. 23
Finals:—	
East Rand Gold and Uranium	Oct. 18
Free State Geduld	Oct. 18
London Scottish Finance	Oct. 22
President Brand Gold	Oct. 18
President Steyn Gold	Oct. 18
Spencer Gears	Oct. 18
Welkom Gold	Oct. 18
Western Holdings	Oct. 18

BICC PURCHASE IN CANADA

Phillips Cables, of Brockville, Ontario, which is controlled by the BICC group, is buying the cable manufacturing business of Northern Telecom Canada, the largest telecommunications equipment maker in Canada.

The cable business has annual sales of about C$40m. The sale represents Northern Telecom's policy to sell off its cable and wire interests and concentrate on telecommunications equipment.

Pullman to buy 29% of Paradise

R. and J. Pullman, the textile and clothing group, is to extend its fur and leather clothing interests by the purchase of a 29 per cent stake in B. Paradise, a loss making furrier and leather manufacturer and distributor.

At present the directors of Paradise and members of the Paradise family, control 70.6 per cent of the equity but they have agreed to sell 29 per cent to Pullman at 10p a share, a stake worth £36,250. The deal is, however, subject to consent by the Takeover Panel.

In the year to January, Paradise lost £316,969 before tax compared with a small profit the year before, and passed the dividend. A major reorganisation has since begun.

Pullman's profits for the 13 months to April were £1.5m compared with £1.1m. Prior to the announcement of these figures the group raised £3m by a rights issue an dacquired the Skincraft chain of leather shops for just under £1m.

Parker Timber improvement

An improvement in trading conditions has been experienced by Parker Timber in the first quarter of its financial year ending March 31, 1980, Mr. K. Whitby, the chairman, tells shareholders.

His remarks are made in the Harrison and Crosfield offer document for the group which has been recommended by the Parker directors.

The offer document also discloses that at the close of business on September 10, 1979, H and C and its present subsidiaries had outstanding bank loans and overdrafts of £43.7m (£7.56m secured), other loans £2.26m (£150,000 secured) and hire purchase commitments £32,000.

Harrison's advisers, Baring Brothers, say in the document that Parker will bring to Sabah Timber, part of the H and C group, a wider involvement in sheet metals and an important interest in export packing and warehousing.

If the offer becomes unconditional it is the intention of H and C to develop the business of Parker as a separate group under its own management within the Sabah Timber group.

ARLINGTON MOTOR

Arlington Motor Holdings has completed the purchase of the trading assets and goodwill of Hove Motors and Hove Motors (Services). The consideration of £488,686 has been satisfied by the allotment of 374,735 ordinary shares and £83,967 cash—a further small amount is to be paid dependent on final verification of outstanding items.

BRITISH TAR

British Tar Products has sent out a circular giving further details of the acquisition of certain assets of British Tanners Products.

BTP says it is still too early to give a firm forecast of the current year results but it is encouraged by the good start made and by the new opportunities resulting from the acquisition, and looks forward to the remainder of the year with confidence.

BEWAC EXPANDS

Bewac Motors, part of the Inchcape group, has acquired the Peter Spellman garage in Spittal, Berwick-upon-Tweed.

It is a main Volkswagen/Audi dealership, with its franchise extending from North Northumberland, Berwickshire, Roxburghshire, and into half of East Lothian. Turnover is around £2m.

HEPWORTH CERAMIC

The rights issue of Hepworth Ceramic Holdings has been accepted in respect of 87.4 per cent of the 31.47m shares offered.

Shares not taken up have been sold at a net premium of 13.7p per share will be distributed to persons entitled.

Dealings continue in renounceable form and the last date for registration of renunciation is November 15.

Mercantile House acquisition

Mercantile House, the money broking group formerly known as M. W. Marshall, which came to the market in July, is to take over another foreign exchange and currency deposit broker, Woellwarth and Company.

Agreement in principle has been reached between the two money brokers over the terms. Mercantile is to pay around £1.75m for Woellwarth based on its after tax profits for the year ended last March of £265,000.

Mercantile will issue £1m in 10 per cent loan notes and £600,000 in shares for Woellwarth, and will pay the balance in cash. In return it gets a company with net tangible assets expected to be around £540,000 including a portfolio of listed investments with a current market value of £485,000. The actual figures—and the price—are subject to a report on Woellwarth by Price Waterhouse.

When Mercantile came to market in July its after tax profits for the year to April were stated as £1.3m on a turnover of £16.3m. Net tangible assets were £2.3m.

Woellwarth's size, relative to that of Mercantile, means that approval of the deal will need to be sought from Mercantile's shareholders.

NO PROBE

The proposed acquisition by the Control Data Corporation (U.S.) of a 24 per cent holding in United Peripherals, a new subsidiary of Data Recording Instrument Co. is not being referred to the Monopolies and Mergers Commission.

A. HOWDEN (SA)

Alexander Howden (South Africa), the insurance broker 60 per cent controlled by UK-based Alexander Howden Group, has acquired Nathan Lazarus Holdings independent short-term insurance broker for R853,000 cash, and the issue of 770,000 Howden shares at 110 cents each.

The acquisition further consolidates Howden's position in the South African insurance broking industry and follows the formation of the company earlier this year through the merger of Hill Samuel's pensions and broking interests with those of African pensions trustees.

SHARE STAKES

Wolseley-Hughes — Norwich Union Insurance holds 837,849 shares (6.28 per cent).

Godfrey Davis—Rothschild Investment Trust has acquired 100,000 shares making holding 3,687,500 (24.39 per cent).

Ductile Steels — Britannic Assurance holds 775,000 shares (6 per cent).

Associated Biscuit Manufacturers—Mr. M. S. Carr, director, has disposed of 33,400 non-beneficial shares at 82p, leaving hold 126,900 shares.

Greycoat Estates—Mr. R. R. Spinney sold 100,000 shares on September 25.

James Walker looking for further expansion

IN his annual statement, Mr. G. S. Sanders, chairman of James Walker Goldsmith and Silversmith, says that present turnover has benefited from the pre-Budget boom and he has every confidence that trading income will increase materially later in the year.

It is the Board's intention to recommend a maintained dividend of 3.5p on capital increased by the recent one-for-five scrip issue.

The directors have been actively engaged in negotiations for the acquisition of several successful businesses and it is hoped to bring these to conclusion before the end of the year, Mr. Sanders says.

For the year ended April 30, 1979, turnover (exclusive of VAT) rose from £17.3m to £21.25m and pre-tax profits were higher at £3.44m compared with £3.06m previously.

During the year the company acquired the capital of Checkbury. As the net liabilities of Checkbury and its subsidiaries are not liabilities of Walker, the directors consider that the consolidation of Checkbury and its subsidiaries would be misleading.

During the period to April 30, 1979, the Checkbury group made a loss before tax of £2.77m after charging interest on bank loans and overdraft of £1.6m and crediting rents receivable of £69,450.

The loss, after a nil tax charge together with accumulated losses at the start of the period of £7.06m were carried forward.

Checkbury has 500,000 authorised, issued and fully paid £1 ordinary shares. There is an adverse profit and loss account balance of £9.82m. The consolidated balance sheet shows properties held for resale at cost of £6.69m, debtors of £46,707, cash and bank balances of £47,452, creditors of £1.09m and secured bank loans and overdrafts of £15.02m.

The directors of James Walker say the group has not become responsible in any way for the indebtedness of the Checkbury group.

They have been advised that substantial tax advantages will accrue to James Walker from the Checkbury acquisition and losses of that group for the period to April 30 this year should be available for group relief against taxable profits for 1978-79.

However, credit for this has not been taken in arriving at the year's tax provisions.

Braham Valentine and Co., chartered accountant, qualified the Checkbury accounts, stating, "In view of the uncertainty in the property market the directors are unable to express an opinion as to the market value of the group's property interests and no independent valuation has been made during the period.

"We are therefore unable to form an opinion as to the value of the group's property interests at the balance sheet date or of the company's investment in subsidiaries."

Finnie Ross Allfields, auditor to James Walker, expresses no opinion on the accounts of Checkbury and its subsidiaries, which have not been consolidated with the other group companies.

Meeting, Century House, Streatham High Road, SW, October 31 at noon.

Sobranie hopes for better outcome

The directors of Sobranie (Holdings) will be very disappointed if next year's efforts do not reflect a somewhat better picture, Mr. C. C. Redstone, the chairman says in his annual report.

For the year ended February 28, 1979, the group incurred a pre-tax loss of £20,624 compared with a £64,093 profit previously. Turnover was down from £8.67m to £7.95m.

The loss was mainly due to an unpredictable loss in the engineering division. "When we have plugged the leak in the engineering section, we can regard ourselves as back again on the road to profits," Mr. Redstone now tells shareholders.

Directors have disposed of a portion of the loss-making engineering subsidiary and have taken vigorous action which it is hoped will ensure that the substantial losses incurred are not repeated.

Meeting, Connaught Rooms, W.C, October 26 at noon.

S'hampton Steam up to £0.34m

On turnover ahead from £2.2m to £2.6m taxable profits of Southampton, Isle of Wight and South of England Steam Packet rose from £249,343 to £343,137 for the first half of 1979. Last year's figure included £154,233 surplus on fixed assets.

The pre-tax profit was also struck after interest and dividends received which in the first half had risen from £16,142 to £77,912.

The net interim dividend per 50p share is being lifted from 3.5p to 4p. Last year, after making a taxable surplus of £1.09m, the group paid dividends totalling 11.25p.

Tax at midway is up from £129,658 to £178,431.

Good start by Hillards

A good start to the current year had been made by Hillards, the supermarket operator, Mr. G. N. Hunter, chairman, said at the annual meeting.

The record of achievement and anticipated implementation of plans augured well for continued growth, Mr. Hunter added.

The group would be opening four new stores in the current year adding more than 100,000 square feet of selling space. The Batley store opened in August and the group's largest store—34,000 square feet—would open next month at Huddersfield, the chairman said.

By next spring, the group would be trading from new stores at Oldham and Selby.

Firmin dips to £180,000 at mid-way

Taxable profits of Firmin and Sons dipped in the first half after the company had been hit by industrial disputes. On turnover down from £992,000 to £874,000 the pre-tax surplus fell from £218,000 to £180,000 in the first half of 1979.

The board says that following national and domestic unrest at the beginning of the year, factory output was hit by industrial action lasting from June 20 to August 22.

However the interim dividend is being lifted from an adjusted 0.7048p net to 1p. The directors say that the final payment will depend on how industrial action has affected second-half results. Last year the group paid an adjusted total of 2.0765 after lifting taxable profits to £397,000.

Stated earnings per 25p share are down from 4.89p to 4.61p.

Tax, adjusted for SSAP 15, is down from £91,000 to £60,000.

Confidence at Waverley Cameron

The directors of Waverley Cameron, Edinburgh-based stationery maker, have released an interim statement for the first time, showing turnover of £1.03m for the six months to June 30, and pre-tax profits of £115,361.

Home market sales in the second half are expected to show their customary improvement as a result of Christmas trade demand and the board is confident that progress will be maintained.

Exports continue to do well despite home inflation and currency problems, the directors add.

First half profit is struck before tax of £59,988 less stock relief now released, £61,697. Earnings per share are stated as 48p.

Last year, the group reported pre-tax profits of £288,758 on sales of £2.31m. The single dividend was lifted from 7.588p to 11p.

CRESCENT JAPAN

Crescent Japan Investment Trust has made early repayment of its total foreign currency loans amounting in aggregate to Y2.32m.

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R-R REALISATIONS LIMITED

(In Voluntary Liquidation)

formerly ROLLS-ROYCE LIMITED

(In Voluntary Liquidation)

Conclusion of the Liquidation

The Receiver and Joint Liquidators announce that they have now resolved all material outstanding matters and that, with the approval of the Committee of Inspection, they intend to declare a final distribution of 8.41p per £1 of Ordinary stock held, making a total distribution of 63.41p per £1 stock held. (Workers' (1955) Stock in the hands of individual holders was, during 1973, assigned at full face value to a consortium of financial creditors of the company who rank for distribution pari passu with Ordinary Stockholders.)

In their report of 13 November 1978, the Receiver and Joint Liquidators estimated total distributions to stockholders of 61.7p per £1 stock held. Subsequently it has been possible to increase this figure by 1.71p per £1 stock held, mainly because of the following factors:

(a) The proceeds of sale of the 50% interest in Bristol Aerojet Limited were higher than had been prudently anticipated.

(b) A provision of £300,000 against a possible liability for taxation payable by the liquidator of a subsidiary company was not required.

(c) The amounts required to meet contingent claims and liabilities were materially less than expected.

The main reasons for the satisfactory outcome to the receivership and liquidation are that the aero-engine business was kept going and sold to the Government controlled company now known as Rolls-Royce Limited and that the motor car and diesel engine businesses were saved and subsequently floated as Rolls-Royce Motors Holdings Limited. The aero-engine business was sold on a willing buyer/willing seller basis, the RB211 assets being valued at £1 provided that the Lockheed contract could be re-negotiated; in the event this contract was successfully re-negotiated, and as part of the re-negotiation Lockheed and their American airline customers waived their claims to damages. Furthermore, cancellation and similar liquidation losses were substantially avoided not only on the RB211 contract itself but also on contracts with sub-contractors and raw material suppliers.

It is intended to send to Ordinary Stockholders on 5 December 1979 a warrant for the final distribution due, together with notice of the final meeting to be held on 28 February 1980.

Ordinary Stock certificates will be returned separately in due course.

E. R. NICHOLSON
W. K. M. SLIMMINGS
K. D. WICKENDEN
Joint Liquidators

First Union General Investment Trust Limited

(Incorporated in the Republic of South Africa)

1 FOR 5 RIGHTS OFFER 12,420,000 NEW ORDINARY SHARES AT 120 CENTS PER SHARE

Guardian Liberty Investment Corporation Limited is authorised to announce that 97.6% of the new ordinary shares offered in terms of the rights offer has been subscribed for by shareholders or their renouncees.

The balance of the shares, being 295,000 shares, has been taken up by Liberty Life Association of Africa Limited in terms of the underwriting agreement.

Share certificates will be posted to shareholders by Wednesday, 17 October, 1979.

Johannesburg,
5th October, 1979

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	12	½-year	1,000	1
Knowsley (051 548 6555)	12½	½-year	1,000	5-7
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Redbridge (01-478 3020)	12¼	½-year	200	6-7

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 12.10.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12	12¼	12¼	12½	12½	12½	12½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91, Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Mexico's businessmen come out of the cold

BY WILLIAM CHISLETT in Mexico City

THREE YEARS ago, under the populist government of Sr. Echeverria when relations with the private sector were at an all time low, one of Mexico's best known captains of industry used to wear a bullet proof vest. When the more conservative Jose Lopez Portillo took over as president at the end of 1976 the industrialist hung it up at home.

Sr. Jose Lopez Portillo

The comparison pinpoints the tense atmosphere which developed towards the end of Sr. Echeverria's term of office between the Government and the private sector, and the latter's obsessive feeling, brought on by the 80 per cent devaluation of the peso, that the country was heading for ruination.

Three years later, those days—when rumours of coup d'etats were not infrequent—seem very distant. Now the word on the tongues of every industrialist in this oil-rich country is *confianza* (confidence) and instead of fiercely critical speeches, on both sides there are smiling faces and a lot more backslapping.

One measure of the new confidence outside the public sector can be judged from the record amount of private sector investment. This year it is forecast to increase by 19 per cent over last year to an all-time high of 325bn pesos ($14.3bn).

The private sector also claims that it will beat another record this year and create 700,000 new jobs compared to 460,000 last year. If this target was met—and many think it highly unlikely—it would be the first time that the unemployment rate has not increased. A population growth of 2.9 per cent—one of the highest in the world—means that Mexico needs between 700,000 and 800,000 new jobs every year just to stop unemployment from rising.

Reliable employment statistics in Mexico do not exist, but a rough assessment of the new jobs can be made from the number of new members joining the social security system every year. In the first five months of 1979 there were 195,000 new privately employed social security subscribers compared to 140,000 in the same period last year.

While this increase hardly makes a dent in the 40 per cent of the population that is currently estimated to be either underemployed or unemployed, there is no doubt that the private sector is expanding in an unprecedented way. The country is now afloat on a sea of oil which this year will earn some $4bn, and has inspired new international confidence.

Mexican businessmen, however, claim that their own confidence has been motivated as much by the improved climate for private sector business created by President Lopez Portillo as by the recent discovery of huge oil reserves.

When the President took over from Sr. Echeverria in September, 1976, he was quick to establish a new rapprochement with them.

One of the first things he did was to go to Monterrey, bastion of the private sector, to make peace with the *Grupos* (holding companies). "Under the last President I could ring up and he would receive me in five minutes," boasts one of the country's leading businessmen. "But meetings often ended in arguments. We were always attacked.

"The door to the President is more open, but we see less of him as we have fewer problems. The difference now is that whereas in the past meetings were frequent and unproductive, now they are less often but more constructive. That is how it should be."

The private sector is still relatively small (only one private firm is in the top six of Mexico's leading 500 companies) but its leading lights are immensely wealthy and powerful. They have a life style in stark contrast to the impoverished masses.

Sr. Echeverria began to chip away at their power and privileges. He tried too quickly to speed up the very slow pace of social reform and in doing so overturned the tradition of of consensus politics, and weakened the centralised structure upon which Mexican presidents sit with absolute power for six years.

Because revenue was low and his reformist rhetoric antagonised the private sector, public sector plans were increasingly financed from foreign borrowing. Total borrowings of the public sector as a percentage of GDP jumped from 3.4 per cent in 1970, when he took office, to 9 per cent in 1975. The foreign debt shot from $4bn to $20bn and inflation became rampant in his last year, culminating in the devaluation of the peso and capital flight of $4.5bn.

Real GDP growth slumped to 2 per cent in 1976 after averaging 6 per cent for many years. Since then there has been a turnaround which reflects the impact of Mexico's rising oil revenue and the success of the austerity programme implemented by Sr. Lopez Portillo working in closer conjunction with the private sector.

The sector's most important organisation is the little known Mexican Businessmen's Council, made up of 30 leading private businessmen, which meets with Presidents and ministers. The council has no office and makes no public statements, but its voice is taken into account on all major government decisions.

Sr. Lopez Portillo, who campaigned under the slogan *La Solucion somos todos* (it's up to everybody) has imposed, to the obvious delight of the private sector, a far tougher wage policy, cut back on public expenditure, limited foreign borrowing and pushed ahead with a far more vigorous export policy.

He created *La alianza para la produccion* (Alliance for production) which commits businessmen, farmers, workers and the Government to reach certain goals of production and investment. Most of these goals have now been surpassed.

A report prepared by the private sector's economic unit paints a glowing picture of the differences between business now and then. In 1977, 36 per cent of companies estimated that they were operating at a very low level of capacity as against only 8 per cent now. The great majority of companies are now in fact operating at full capacity.

The improved economic climate has caused business greatly to expand. For example private sector imports in the first seven months of this year were up 54 per cent over the same period in 1978. They represented $4.1bn of the total $6.2bn import bill.

The principal obstacles preventing firms from expanding quickly enough to meet a rapid rise in national demand and from moving into higher export gear are a shortage of raw materials, bottlenecks in the country's transport system (particularly the highly congested ports) and a lack of credit, says the report. Whereas in 1978 "lack of profits" was a key cause for complaint, it does not even figure in the latest list.

It would seem, then, that the private sector is buoyant, bursting with optimism and content with its lot. It would clearly like to maintain the present status quo and is hoping that Sr. Lopez Portillo's successor in 1982 (Mexican president's cannot stand for re-election) will be in the same mould.

But this is the great unknown because of the peculiar way in which the 50-year ruling Institutional Revolutionary Party (PRI) chooses its Presidential candidate. The process is complicated, with the labour rural and popular wings of the PRI sifting through names acceptable to all the powers that be.

The private sector will be looking to someone who is in sympathy with Sr. Lopez Portillo's policies, but as the oil revenue rises so will pressures mount for a greater distribution of wealth, and a more radical president.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Caledonian Tst., 175 West George Street, Glasgow, 11
Hoffnung (S.), Great Eastern Hotel, Liverpool Street, EC, 12.15
Howard Shuttering, George Inn, Epsom Road, Morden, Surrey, 10.30
Jackson (William), Ballroom, Paragon Street, Hull, 11
Regional Properties, The Mayfair Hotel, Berkeley Street, W., 12
Sterling Knitting, Stakehill Lane, Bentley Avenue, Middleton, Manchester, 12

BOARD MEETINGS—
Finals:
Glaxo
Lyles (S.)
Scottish Metropolitan Property
Startrite Engineering
Interims:
Ayrshire Metal
Edinburgh Inv. Trust
Freemans (London SW9)
Hunting Gibson
Martin (Albert)
Pickles (William)
Reed Executive
Wolstenholme Rink

DIVIDEND & INTEREST PAYMENTS—
AAH Ord. 3.975p
Ashdown Bros. 1.2p
Barclays Bk. 6.25p
Bibby (J.) 6p
Black (Peter) 5.032p
Blagden and Noakes 3p
British Assets Tst. 0.7p. Do. 0.3p
British Bldg. and Eng. Appliances 1.8p
Broadstone Inv. Tst. 2p
Brown (John) 10.2398p
Cook (William) (Sheffield) 7.05p
Ewbank House Invs. 1.44p
Ford (Martin) 1.3p
Fairmaster 1.62p
Galler (A. and J.) 2.1p
Group Lotus Cars 0.7p
Hillards 5p
Kuala Lumpur Kepong Berhad 1.2435p
Manchester Ship Canal 7.987p. Do. 5pcPf. 3.5pc
Marston Finance Tst. 2p
Meggitt 0.42p
Norwich Secs. 0.4p
Press Tools 1.525p
Rights and Issues Inv. Tst. Inc. 1p
Scottish English and European Textiles 1.66p
Second Alliance Tst. 5.26p. Do. 4½pcPf. 1.575pc
Stavert Zigomala Ord. 5p
Vibroplant 7.98p
Ward and Goldstone 4.0916p

TOMORROW

COMPANY MEETINGS—
Ashley Ind., Winchester House, London Wall, EC, 11.30
Astam Trading, Victoria House, Vernon Place, WC, 12
Boosey-Pelapah, 52-54, High Holborn, WC, 12
United British Secs. Tst., Bucklersbury House, 83, Cannon Street, EC, 12

BOARD MEETINGS—
Finals:
Eeram
Canadian Overseas Packaging
Stothert & Pitt
Interims:
Amalgamated Power Engineering
Associated Biscuit Manufacturers
Bankers' Inv. Trust
Barr & Wallace Arnold Trust
Hawthorne
Farnell Electronics
Finlay (James)
Lesney Products
North (M. F.)
Ruberoid
Sears Holdings
Senior Engineering
Silentnight

DIVIDEND & INTEREST PAYMENTS—
Brandingtons Brewery 1.73p
Browning-Ferris Inds. 15cts.
Caras 1.25p
Eucalyptus Pulp Mills 2.73p
Howard Shuttering 1p
MacFarlane (Clansman) 2.1p
Marling Inds. 0.7p
Regional Properties Ord. and A 1p
Smith and Nephew Assd. 1.25p
Sunbeam Wolsey 1p

WEDNESDAY, OCTOBER 10

COMPANY MEETINGS—
Clark (Matthew), Winchester House, 100, Old Broad Street, EC, 12
Dewty Grp., Arle Court, Cheltenham, Gloucestershire, 11
McKay Secs., 18, Parkside, Knightsbridge, W., 12

BOARD MEETINGS—
Finals:
B.P.M.
Cons. Gold Fields
Cradley Printing
Ensure
Highland Electronics
Laing & Elliot
Lowtex
Lockwoods Foods
London & Strathclyde
Wombwell Foundry & Engineering
Interims:
Allied
Ash & Lacy
Cartwright (R.)
Christies International
Clive Discount
Ellis & Goldstein
Empire Stores (Bradford)
External Inv. Trust
Fogarty (E.)
Higgs & Hill
House of Lerose
Laing Properties
Lilleshall
Menzies (John)
Miller (Stanley)
Transatlantic & General Inv.

DIVIDEND & INTEREST PAYMENTS—
Alcan Aluminium (UK) 3.3p
Astley Ind. Tst. 1.3p
Berry Pacific Fund 25cts
Boosey-Pelapah Ord. 0.4p. Do. A Res.vtg. 0.3p
Caledonian Tst. 1.4p
Carpets Randolph 18cts.
Gencore Potaflex 0.8198p
Gerrard-Lilley Inds. 0.825p
Hongkong and Shanghai Banking Cpn. HK$ 0.24
Lindrake Grp. 5.7p
London and Liverpool Tst. 0.49p
M and G Far Eastern and Gen. Fund Inc. 0.653p
Rea Brothers 0.725p
Stoatley 4p. Do. 4½pcPf. 1.575pc
Wiggall (Henry) 10.5p

THURSDAY, OCTOBER 11

COMPANY MEETINGS—
Dale Elec. Intnl., Royal Station Hotel, York, 12
South Crofty, Trogenna Hotel, Pendarves Road, Camborne, Cornwall, 12

BOARD MEETINGS—
Finals:
Photo-Me Intnl.
Turriff Corporation
Interims:
Atlas Electric & General Trust
B.S.G. International
Bronx Engineering
Brintons (Musselburgh)
Debenhams
Foster Brothers Clothing
Green's Economiser
Martin-Black
Mowlem (John)
Whittington Engineering

DIVIDEND & INTEREST PAYMENTS—
Anglo-American Coal Cpn. 30cts.
Commi. Banking of Sydney 9cts.
Impala Platinum 13.49015p
London and Gartmore Inv. Tst. 0.75p
National Westminster Bk. Fltg. Rate Cap. Notes 1984 US$ 28.11
Nurdin and Peacock 1.5p
Pentos 1.5p
Robinson (Thomas) 0.8232p
Small (John C.) and Tidmas 2p

FRIDAY, OCTOBER 12

COMPANY MEETINGS—
Dixons, Great Eastern Hotel, Liverpool Street, EC, 12
Restmor, 34 Baker Street, W., 11.30
Watsham's, High Road, Willesden, NW, 12
Wintrust, Winchester House, 100, Old Broad Street, EC, 12

BOARD MEETINGS—
Finals:
Glasgow (W. & J.)
Interims:
England (J. E.) (Wellington)
London & Provincial Poster
Sandeman (G.)
Standard Telephones & Cables

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mort. Cpn. 10⅞pc Bds. Red. 12-10.79 £5.4872
Allen Harvey and Ross 10p. Do. 4pcPfd. Ord. 0.7pc
Allied Colloids (temporary suspension 28-3-79) 1.897p
Bridgewater Ests. 4.5p
Distillers 6.75p
Le Bas (Edward) 0.953p
Lec Refrigeration 1.35p
McKay Secs. 1.25p
Morgan (J. P.) 62½cts. Do. Idrs. 62½ cts
New Equipment 0.35p
Northampton 8pc Red. 1978-79 4pc
Pearl Assurance Ord. 9p
Portmer 2.72p
Sterling Knitting 0.4p
Ward Hldgs. 1.19p
Wardle (Bernard) 0.65p
Wilson (Connolly) 3.5p

SUNDAY, OCTOBER 14

DIVIDEND & INTEREST PAYMENT—
Strathclyde Var. Rate. Red. 1982 £6.0313

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Salon International (Hairdressing and Beauty) (01-261 8000) (Until Oct. 9)	Wembley Conf. Centre
Current	International Garden and Leisure Exhibition—GLEE (01-546 6757) (Until Oct. 10)	National Exhibition Centre, Birmingham
Oct. 9—11	Electronic Measuring Instruments Exhibition—EMIX (021-705 6707)	Bloomsbury Centre Hotel
Oct. 9—11	Medical Laboratory Exhibition (01-776 0011)	West Centre Hotel
Oct. 9—11	National Housing and Town Planning Exhibition (01-388 5741)	Harrogate
Oct. 15—18	Video Tradex International Exb. (01-686 7181)	Wembley Conf. Centre
Oct. 15—20	International Food Wine and Kitchen Exhibition (06234 2442)	Bristol
Oct. 17—19	On-Line Process and Environmental Analytical Instrumentation Exhibition (01-898 4684)	Bloomsbury Centre Hotel
Oct. 16—18	Internepcon Conference and Exhibition (01-390 0281)	Brighton
Oct. 17—20	London Fashion Exhibition (01-385 1200)	Olympia
Oct. 17—28	Motor Fair (01-385 1200)	Earls Court
Oct. 17—24	Auto Accessory Retailer Trade Show (0494 41548)	West Centre Hotel
Oct. 19—20	Formula Ford and Allied Trades Exhibition (01-868 7744)	Goodwood
Oct. 22—Nov. 2	Energy Conservation Materials and Applications Exhibition (01-637 1022)	Building Centre, London
Oct. 22—25	Highland Trade Fair (0463 34171)	Aviemore Centre
Oct. 22—26	Design Engineering Show and Conference (01-995 4806)	Nat. Exbn. Centre, B'ham.
Oct. 22—26	International Plant Engineering and Maintenance Exhibition and Conference (01-995 4806)	Nat. Exbn. Centre, B'ham.
Oct. 23—25	Northern Counties Engineering Exhibition (0905 34366)	Leeds
Oct. 23—25	Plant Hire Exhibition (0272 292156)	Bristol
Oct. 23—Nov. 1	International Business Show (01-405 6233)	Nat. Exbn. Centre, B'ham.
Oct. 25—26	Management Service & Equipment Exhibition (0277 74290)	Harrogate
Oct. 27—29	Road Haulage Association Exhibition (01-387 9711)	Brighton
Oct. 30—Nov. 2	Fashion Fabrics Exhibition (01-385 1200)	Olympia
Oct. 30—Nov. 4	Kensington Antiques Fair (04868 22562)	Kensington Town Hall

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Electronics Show (01-734 9638) (Until Oct. 10)	Osaka
Current	International Maritime Exhibition — RIOMAR (Until Oct. 13)	Rio de Janeiro
Oct. 10—13	Office Equipment Exhibition (01-540 1101)	Berlin
Oct. 10—17	International Plastics and Rubber Trade Fair (01-409 0956)	Dusseldorf
Oct. 10—18	European Machine Tool Exhibition (01-402 6671)	Milan
Oct. 13—17	International Exhibition of Women's Ready-Made Clothing (01-439 3964)	Paris
Oct. 14—22	International Hotel and Catering Industries Equipment Exhibition (01-439 3964)	Paris
Oct. 15—Nov. 15	Chinese Export Commodities Fair	Canton
Oct. 15—18	International Airport Construction and Equipment Exhibition (0727 63213)	Nice
Oct. 15—19	Frozen Food, Machinery & Equipment Exhibition —CATEREX	Tel Aviv
Oct. 21—26	International Shop and Restaurant Equipment Exhibition (01-278 0281)	Brno
Oct. 22—25	Middle East Materials Handling Show and Conference (01-486 1951)	Bahrain
Oct. 23—27	Electrical Engineering Exhibition (01-540 1101)	Berlin
Oct. 25—28	Weapon and Antiques Fair	Dortmund
Oct. 25—29	Educational Material Exhibition (01-540 1101)	Copenhagen
Oct. 25—29	International Shopfitting and Trade Equipment Exhibition (01-439 3964)	Paris
Oct. 27—28	International Collectors Fair (01-540 1101)	Berlin
Oct. 27—31	International Fashion Trade Fair (01-409 0958)	Dusseldorf
Oct. 27—Nov. 4	Exhibition of Household Equipment, Caravan, Radio and TV	Bordeaux
Oct. 27—Nov. 11	Autumn Market	Basle
Oct. 30—Nov. 2	Office Equipment Exhibition (01-734 0543)	Frankfurt
Oct. 31—Nov. 11	Do-It-Yourself Exhibition	Paris
Nov. 1—12	Motor Show (01-734 9678)	Tokyo

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Oct. 8—29	City University: Legal Problems of Multinational Enterprises (01-606 1807)	Gresham College, EC2
Oct. 10—11	Frost and Sullivan: Finance and Accounting for Non-Financial Executives (01-486 8377)	Cumberland Hotel, W1
Oct. 11	IPS: Public Purchasing and Supply-Practical Targets for the 1980s (0990 23711)	The De Montfort Hotel, Kenilworth
Oct. 11—Dec. 13	FT City Course (01-236 4382)	City University Business Sch.
Oct. 15	Structured Training: How to Double Your Profits Within the Year (0926 37621)	Nat. Exbn. Centre, B'ham.
Oct. 15—16	MSS Computer and Business Consultancy: Accounting for Non-Accountants (0908 34755)	Lincoln
Oct. 15—20	Kenneth Irons Associates: Advanced Marketing Management in Insurance (01-487 3200)	Salzburg
Oct. 16—18	Institute of Packaging: National Conference—The future for packaging (01-954 6277)	Grand Hotel, Eastbourne
Oct. 17—19	FT Conference: Brazil—The Outlook for the 1980s (01-236 4382)	Rio de Janeiro
Oct. 18	AGB: The search for opportunities with Dr. Edward de Bono (01-353 3651)	Cafe Royal, W1
Oct. 21—26	University of Bradford Management Centre: Industrial Marketing Management (Bradford 42299)	Heaton Mount, Bradford
Oct. 23—24	FT Conference: World Conference on Energy and Industry (01-236 4382)	Dusseldorf

هكذا من الأصل

INTNTL. COMPANIES and FINANCE

Sicartsa steel mill $1bn second stage nears start

BY WILLIAM CHISETT IN MEXICO CITY

SIDERMEX, the Mexican Government's holding company for the three state mills, will start construction of the second stage of its Sicartsa mill at Lazaro Cardenas on the Pacific coast early next year possibly in January. This will raise installed capacity there from the present 1.3m tonnes to 2.7m tonnes at a cost of at least $1bn.

At the same time, Sidermex has decided to use the Hylsa direct reduction process and not the traditional blast furnace system.

The recently annouced public sector steel plan for 1979-1990 implies that the traditional process will continue to be used, but Sidermex has since agreed with the Mexican private steel company, Hylsa, to use its world famous process.

Sidermex will also use the Hylsa process, which use natural gas, for the third stage of the Sicartsa expansion but is planning to use the traditional process, which uses coal, for its fourth stage. Sicartsa's installed capacity is planned to reach 9.9m tonnes by 1990.

By using the two processes, Sidermex believes that it can better rationalise its resources. Mexico has an excess of natural gas, most of which comes out with oil in the rich Reforma fields in the south. A gas pipeline is to be laid to Lazaro Cardenas.

Sidermex is currently having to import 15 per cent of its coal needs—a heavy financial burden—as the Mexican coal industry is underdeveloped.

Between now and next year, Sidermex will decide how it is to put the various contracts out to tender. They will be streamlined to probably three packages, because Cidermex wants to avoid the mistakes of the first stage, when over 20 countries participated in its construction which has since caused maintenance and spare part problems.

Possibly as few as three countries will participate in the second stage, and Japanese companies appear to be in the forefront.

Brascan buys 10% stake in Noranda

By Robert Gibbens in Montreal

BRASCAN, the major Canadian holding company now controlled by the Peter and Edward Bronfman interests, of Montreal and Toronto, has acquired about 10 per cent of Noranda Mines, the big resource group, in a deal worth nearly C$200m. The main seller, reported in later editions on Saturday was Argus Corporation, the Toronto holding company controlled by the Conrad Black group, which owns Massey-Ferguson.

Labrador Mining and Exploration Company, owned by the Argus group, sold a block of 7.7m Noranda shares at $S21.50 a share to Brascan, and Brascan later through the floor of the Toronto Stock Exchange bought a further 1m Noranda shares.

The *important* Labrador Mining interest in Noranda first became known nearly 15 years ago, when the financier, E. P. Taylor and Associates, controlled Argus. It was assumed that Argus wanted to be the largest single shareholder in Noranda, then building up into what has become Canada's largest domestically controlled resource and industrial group after Canadian Pacific.

However the largest single interest in Noranda emerged in the hands of two important associates, Placer Development Company, the big Western resource concern, and Kerr Addison Mines, a gold and uranium mining company.

Before the takeover of Brascan this summer by the Peter and Edward Bronfman interests, with the help of the Patino family, Noranda had been mentioned as a rival suitor for Brascan. Noranda says that it believed the Brascan acquisition of around 10 per cent of the company's stock was "for investment only." Brascan said that its policy was to make "investments in Canadian-based natural resources."

Noranda has a major stake in Western oil development, besides metals and pulp and paper.

Polish policies praised

By Christopher Bobinski in Warsaw

POLAND'S PROSPECTS of increasing its $15bn or more of foreign debt are supported by the confidence felt in the ability of the Government "to meet its economic challenges successfully." Mr. A. W. Clausen, chairman of the Bank of America, said here.

Mr. Clausen, whose bank played a major part in arranging a $550m Euroloan for Poland earlier this year, was speaking after a three-day visit to the country.

"We applaud," he said, "the way the Polish authorities have come forward with figures and projections for the country's future development."

The banker, who had travelled to Warsaw after last week's International Monetary Fund meeting in Belgrade, said that the subject of Poland rejoining the IMF had not come up in his talks.

Boost for Perstorp

BY VICTOR KAYFETZ IN STOCKHOLM

PERSTORP, the Swedish chemicals group, increased its pre-tax profit to SKr110m ($27m), from SKr 93m, for the year ended August 31. Last May, Mr. Karl-Erik Sahlberg, the managing director, forecast earnings of SKr 105m-110m.

The Board is recommending a dividend of SKr 4.50, compared with SKr 3.92 after adjusting for the one-for-five rights issue carried out in April 1979.

Earnings per share rose from SKr 27 to SKr 31, as sales climbed nearly 17 per cent to SKr 1.35bn ($326m) or almost exactly on target.

Sales by the chemicals division rose 12 per cent to SKr 565m. The components (formerly building) division recorded turnover up by 24 per cent to SKr 410m and the consumer goods division had sales of SKr 115m, up 16 per cent.

The three divisions showed improved earnings while the remaining two—Perstorp Brazil and Perstorp Business Development — recorded earnings at about the same level as the year ended in August 1978.

Sharp upturn at National Iron

BY GEORGIE LEE IN SINGAPORE

NATIONAL IRON and Steel Mills has reported a sharp improvement in group profits for the first half ended June 1979. Group pre-tax profit soared 83 per cent to S$26.2m for the six months, but a 94 per cent rise in tax provisions trimmed growth att he net level to 75.3 per cent, giving a net profit of S$15.25m (US$7m).

Turnover of the group, which is the largest manufacturer of iron and steel products in Singapore and is partly owned by the Singapore Government, rose by only 45 per cent to S$121.3m (US$56m). The group has declared a gross interim dividend of 13 per cent.

CURRENCIES, MONEY and GOLD

Catching up with London

BY COLIN MILLHAM

Despite suggestions that banks are under less corset pressure and hopes of an improvement in tomorrow's banking figures, this is hardly likely to poduce any very dramatic effect on short-term interest rates. The Government's commitment to its monetary policy has been spelled out several times and the previous banking figures were certainly bad enough to hope for something better this time. At the same time international events are moving at such a pace that any optimistic soul still looking for an early reduction in London rates is likely to be disappointed.

Interest rates in several parts of the world continued to move up, with a very large rise in Eurodollar rates on Thursday.

On June 13—the day after the last rise in Bank of England Minimum Lending Rate—one-month Eurosterling was quoted at 14 per cent, with Eurodollars for the corresponding period at 9¾ per cent. Last Thursday Eurosterling was 13¾ per cent, with Eurodollars shooting up to 13¾ per cent. This has led to a considerable weakening of the U.S. dollar in the forward market. At mid-June sterling was at a discount of about ¾ cent against the dollar for one-month delivery, but last Thursday one-month sterling/dollar was almost at par.

The dollar was not the only currency under pressure, and supported by higher interest rates. The Belgian franc remained anchored to the bottom of the European Monetary System, despite the fifth rise in central bank lending rates since the end of May. Last Wednesday the Belgian National Bank increased its complicated structure of rates by 1 per cent, including a rise to 10 per cent in the discount rate, the highest level since World War II.

The Danish krone became the strongest member of the EMS, thanks to its devaluation and the rise to 11 per cent in Denmark's discount rate three weeks ago. The Belgian franc was near its lowest permitted level against the krone last week, and although the French franc was under no pressure, Paris rates remained firm, with call money rising to 11¾ per cent on Friday.

GOLD

	October 5		October 4	
	Gold Bullion (fine ounce)			
Close	$385-390	(£176.5-178.8)	$380-385	(£175.75-176)
Opening	$370-373	(£169-170.4)	$397-400	(£181.5-182.35)
Morning fixing	$367.50	(£167.923)	$394.50	(£179.628)
Afternoon fixing	$385.00	(£176.161)	$384.00	(£175.527)
	Gold Coins			
Krugerrand	[illegible]	[illegible]	[illegible]	[illegible]
Mapleleaf	[illegible]		[illegible]	
New Sovereigns	[illegible]	[illegible]	[illegible]	[illegible]
King Sovs	[illegible]	[illegible]	[illegible]	[illegible]
Victoria Sovs	[illegible]	[illegible]	[illegible]	[illegible]
Fr 20 Napoleons	[illegible]	[illegible]	[illegible]	[illegible]
50 pesos Mexico	[illegible]		[illegible]	
100 Cor. Austria	[illegible]		[illegible]	
$20 Eagles	[illegible]		[illegible]	
$10 Eagles	[illegible]		[illegible]	
$5 Eagles	[illegible]		[illegible]	

OTHER MARKETS

Oct. 5	£	$		£ Note Rates
Argentina Peso	3227-3247	1480-1490	Austria	27-28
Australia Dollar	1.9335-1.9435	0.8870-0.8890	Belgium	63¾-64¾
Brazil Cruzeiro	64.51-65.51	29.55-30.05	Denmark	11.20-11.40
Finland Markka	8.14-8.15	3.7255-3.7275	France	9.02-9.12
Greek Drachma	79.618-81.531	36.60-36.80	Germany	3.80-3.90
Hong Kong Dollar	10.7350-10.76	4.9360-4.9400	Italy	1,755-1,795
Iran Rial	153.39-161.05	70.25-73.75	Japan	4.87-4.97
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Frc.	62.00-62.10	28.43-28.44	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	2.1765-2.1865	0.9985-1.0015	Spain	[illegible]
Saudi Arab. Riyal	7.25-7.35	[illegible]	Switzerland	[illegible]
Singapore Dollar	[illegible]	[illegible]	United States	[illegible]
Sth. African Rand	1.8020-1.8120	0.8260-0.8270	Yugoslavia	[illegible]

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Oct. 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Oct. 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 64.20-64.30c pm. Six-month forward dollar 0.65-0.55c pm, 12-month 1.50-1.40c pm. France close for October 4 should have been 9.05½-9.07½.

EXCHANGE CROSS RATES

Oct. 5	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.182	3.835	489.0	9.015	3.445	4.260	1781.	2.544	62.05
U.S. Dollar	0.458	1.	1.758	224.3	4.133	1.579	1.953	816.4	1.166	28.44
Deutschemark	0.261	0.569	1.	127.5	2.351	0.898	1.111	464.4	0.663	16.18
Japanese Yen 1,000	2.045	4.461	7.845	1000.	18.44	7.045	8.715	3642.	5.202	126.9
French Franc 10	1.109	2.420	4.254	542.4	10.	3.821	4.725	1976.	2.822	68.83
Swiss Franc	0.290	0.633	1.113	141.9	2.617	1.	1.237	517.0	0.738	18.01
Dutch Guilder	0.235	0.512	0.900	114.8	2.116	0.809	1.	418.1	0.597	14.57
Italian Lira 1,000	0.561	1.225	2.153	274.6	5.062	1.934	2.392	1000.	1.429	34.84
Canadian Dollar	0.393	0.858	1.507	192.2	3.544	1.354	1.673	700.1	1.	24.39
Belgian Franc 100	1.612	3.516	6.180	788.1	14.53	5.552	6.865	2870.	4.100	100.

LONDON MONEY RATES

Oct. 5 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ‡	Eligible Bank Bills ‡	Fine Trade Bills ‡
Overnight	—	11-13¼	—	—	—	13½	11-13¼	—	—	—
2 days notice	—	—	14-14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	—	[illegible]	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	—	[illegible]	—	—	—	—	—	—

Local authority and finance houses seven days notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years 13¼-13½ per cent; four years 13½-13¾ per cent; five years 13½-13¾ per cent. ● Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13½-13¾ per cent; four-month trade bills 14 per cent.

Approximate selling rate for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; three months [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent; three-month [illegible] per cent; one-month trade bills 14½ per cent; two-month 14½ per cent and three-month 14½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from October 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.3244 per cent.

CURRENCY RATES

Oct. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian F.	[illegible]	[illegible]	[illegible]
Danish K.	[illegible]	[illegible]	[illegible]
D Mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
Allied Irish Banks	Nov. 1	Int. 3.5
Assoc. Brit. Foods	Nov. 7	Sec. int. 1.7
*Bank of Ireland	Nov. 6	Int. 6.5
*BSG Intl.	Oct. 11	Int. 0.916
*Baird (W.)	Oct. 16	Int. 4.422
*Bejam	Oct. 9	Final 0.921
*Berec	Oct. 25	Int. 1.2
*Berkeley Hambro Prop.	Oct. 15	Int. 1.75
*Bowthorpe	Oct. 9	Int. 0.838
*British Home Stores	Oct. 17	Int. 3.1
Brooke Bond	Oct. 17	Final 2.254
Cater Ryder	Nov. 7	Int. 4.104
Chubb	Nov. 8	Int. 1.853
Central and Sheerwood	Oct. 17	Int. 0.675
Coates Bros.	Oct. 19	Int. 0.885
Coats Patons	Nov. 7	Int. 1.296
Coral Leisure	Oct. 26	Int. 3
Dawnay Day	Oct. 18	Final 1.25
*Debenhams	Oct. 11	Int. 1.776
De La Rue	Nov. 7	Int. 3.908
Duport	Oct. 18	Int. 2.036
Eastern Produce	Oct. 19	Int. 1.34
*Empire Stores	Oct. 10	Int. 2.479
*EDITH	Oct. 16	Int. 0.8
Ferguson Ind.	Nov. 10	Int. 3.0
*Freemans (Lond. SW9)	Oct. 8	Int. 3.16
Furness Withy	Oct. 17	Int. 3.88
Gerrard Nat. Disc.	Oct. 19	Int. 4.0
*Gill and Duffus	Oct. 25	Int. 2.3
*Glaxo	Oct. 5	Final 6.9
Hawker Siddeley	Oct. 19	Int. 2.105
*Grattan Warehouses	Oct. 11	Int. 1.786
Gt. Portland Estates	Nov. 7	Int. 1.0
Hepworth (J.)	Oct. 31	Final 7.82
*Highland Distilleries	Oct. 22	Final 2.224
Hill Samuel	Nov. 8	Int. 1.834
Johnson & Firth Brown	Sept. 14	Final 3.459
*Lesney Products	Oct. 9	Int. 1.179
Lister	Sept. 21	Final 1
London Brick	Oct. 26	Int. 1.4137
*London and Northern	Oct. 24	Int. 1.25
Lucas Inds.	Nov. 8	Final 6.845
Mallinson Denny Mott	Nov. 2	Int. 1.25
Marks and Spencer	Oct. 17	Int. 1.15
*Menzies (J.)	Oct. 10	Int. 1.275
Minet Hldgs.	Oct. 26	Int. 2.303
Minster Assocs.	Oct. 27	Int. 1.6
Mothercare	Oct. 23	Int. 1.136
Nat. Bk. Aust.	Nov. 9	Final 8 cents
Newman Inds.	Sept. 26	Int. 1.5
Newman-Tonks	Oct. 20	Final 3.153
Press (Wm.)	Oct. 26	Int. 0.4576
Readicut Intl.	Nov. 8	Int. 0.527
*Redland	Nov. 22	Int. 2.551
Reed Internatnl.	Oct. 31	Int. 3
*Rugby Ptlnd. Cement	Oct. 15	Int. 1.193
Sainsbury (J.)	Nov. 8	Int. 2.27
*Scottish Met. Prop.	Oct. 8	Final 1.073
*Senior Eng.	Oct. 9	Int. 0.6516
UBM	Oct. 18	Int. 1.964
Whitbread	Nov. 7	Int. 1.281
Wilmot Breeden	Oct. 18	Int. 1.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	14½%
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½%
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	14 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	15 %
Choulartons	14 %	Security Trust Co. Ltd.	15 %
C. E. Coates	14 %	Shenley Trust	16 %
Consolidated Credits	14 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½%
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	—	90	80	Barlow Hldgs.	86	−1	T2.6	1.1	4.3	29.9
**	F.P.	19/10	95	82½	Fogarty (E.) Defd.	93		—	—	—	—
¶¶	F.P.	—	202	160	Seltrust A. 5oc.	160	−9	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Am'unt Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
¶91	F.P.	21/9	87	82	Aurora 8¼ Conv. Cum. Pref.	86	−1
**	F.P.	21/9	107p	101p	Bradford Prop. 10½% Cum. Pref.	105pm	
¶	F.P.	29/11	102	101¾	Eastbourne Waterworks 8% Red. Pref.	101¾	
¶	F.P.	29/11	102¼	98¾	Essex Water 8% Red Pref. 1984	102	
98½	F.P.	16/11	99¼	99	London Trust 13¼% Deb. Stk. 2000-04	99	−½
¶¶	F.P.	—	73½	69½	Lonrho 9% 2nd Mort. Deb. 87-92	69½	
¶¶	F.P.	—	90½	86	Do. 12¼% 2nd Mort. Deb. 85-90	90	
¶¶	F.P.	—	99	93	Do. 12¾% 2nd Mort. Deb. 80-83	96	
¶	F.P.	24/8	99¼	97¾	Scot. Agricultural Sec. 13% Deb. 97-99	99	
10p	—	7/9	103p	100p	Stonehill 10½% Cum. Prf	101pm	

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ◘	1979 High	1979 Low	Stock	Closing Price p:	+ or −
110	F.P.	4/9	19/10	130	120	Bank Leumi	120	
20	F.P.	28/9	19/10	32	28	Benlox	30	
A$4.50	Nil	—	—	320pm	285pm	BH Proprietary	285pm	−5
125	F.P.	21/9	12/10	151	142	Estates Propert. Inv.	150	
93	F.P.	2/10	16/11	111½	97½	Hepworth Ceramics	110	−1½
SM1.30	Nil	—	—	20pm	15½pm	††Kulim	19pm	−½
110	F.P.	14/9	12/10	147	130½	Macarthys Pharm.	143	−2
40	F.P.	28/9	26/10	50	48	Nolton	48½	
A$5	Nil	—	—	240pm	168pm	Peko-Wallsend	225pm	−2
¶¶	Nil	—	—	102pm	76pm	Seltrust	80pm	−5
145	F.P.	15/9	19/10	240	195	Unitech	240	+4
45	Nil	—	—	15pm	7pm	Waco Group	15pm	+2
10	F.P.	5/9	17/10	12½	10½	Yorkgreen Invs.	12½	

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 Income shares and 10 Capital shares at 125p per unit.

Public Works Loan Board rates

Effective from October 6

Years	Quota loans repaid by EIP†	At	at maturity§	Non-quota loans A* repaid by EIP†	At	at maturity§
Up to 5	12½	12½	12½	13½	13½	13½
Over 5, up to 10	12½	12½	12½	13½	13½	13½
Over 10, up to 15	12¾	12¾	12¾	13¼	13¼	13¼
Over 15, up to 25	12¾	12¾	12¾	13¼	13¼	13¼
Over 25	12¾	12¾	12¾	13½	13¼	13¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INSURANCE BASE RATES

† Property Growth 13½%
† Vanbrugh Guaranteed 12¾%
† Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 478-483

INSURANCE

Do-it-yourself guide to home valuation

BY OUR INSURANCE CORRESPONDENT

A LONG standing source of friction between many domestic policyholders and insurers is the requirement by insurers that the individual fixes his own sums insured, with little or no guidance.

A few moments reasoned thought must demonstrate the magnitude, if not the impossibility, of insurers' task should try to provide what would have to be an individual survey service. Moreover, the service could not be provided free, but would involve a substantial increase in household premiums.

However, recognising the need, in this consumer society, to help home owners and occupiers, the British Insurance Association last year published a leaflet, A guide to building insurance for the home owner. It briefly explains the kind of cover provided by the average household buildings policy, and then gets down to the essential question of how to value one's home. It emphasises the yardstick is not market value, but the cost of reconstruction in the event of total destruction.

Principal feature of the leaflet is a chart of building costs on a £ sq ft basis, for various types of house, of different sizes and ages, and in different parts of the country. The chart was developed by the Building Cost Information Service of the Royal Institution of Chartered Surveyors. It provides figures for 156 different situations.

The BIA leaflet was published last November. It suffered then from the disadvantage that the figures were a little out of date—they had been produced by the RICS in July, and no allowance had been made for inflation.

The BIA promised regular revisions. I understand that the 1979 leaflet will be available next month, and will contain figures produced by the RICS in September.

It seems likely that last year's figures will have to be raised by about 20 per cent, having regard to the movement over 15 months of the Housing Cost Index, prepared each month by the RICS, and published in the magazine Building. The index is used by almost all insurers who index link household buildings sums insured and premiums.

Although the RICS produces both the figures in the BIA leaflet and the index, the latter is just one broad national average. It takes no account of such features as geographical location, types of construction, quality and size of home. It is possible that some of the new BIA figures, when compared with the old, will show fluctuations of about 30 per cent—some more, some less.

The surge in the Housing Cost Index has taken place only in the past three months, as the result of wage settlements in the building industry in the summer. Holders of index-linked buildings policies renewable in the next few months can reckon on paying about 15 per cent more than last year—which will be about £7.50 extra on a house covered for £40,000.

CONTRACTS

£3.4m phones from Plessey

The Post Office has placed orders worth £3.4m with **PLESSEY COMMUNICATIONS AND DATA SYSTEMS** of Beeston, Nottingham. The contract includes a repeat order for the Mickey Mouse telephone, which the Post Office is marketing as a special range model.

*

A £730,000 contract for a two-mile-long underground drift conveyor at Treeton colliery, near Rotherham, has been awarded to **CABLE BELT** by the National Coal Board. The conveyor will be a CB2 installation at a gradient of about 1-in-7 with a design load of 550 tonnes per hour and two power units to drive the cables carrying the self-troughing belt.

*

An order for Solar Sparto fog warning lamps worth over £250,000 has been received by **LONDON BANKSIDE PRODUCTS** of Amersham, Bucks, from Datsun UK. The lamps will be fitted exclusively to all Datsuns sold in the UK.

*

A £150,000 contract for the installation of electrical services and fire alarm systems at the Greater London Council's solid waste rail transfer station, Hillingdon, has been awarded to **HADEN YOUNG**, part of the Haden Carrier Group.

APPOINTMENTS

Managing director for Sykes Pumps

SYKES PUMPS has appointed **Mr. Vic Jennings** as managing director and a director of Henry Sykes. He was formerly managing director of Sykes Marine.

*

Mr. W. D. Wilson has resigned from the Board of ANGLO AMERICAN GOLD INVESTMENT COMPANY ("AMGOLD"), Johannesburg, and **Mr. L. G. Stopford Sackville** has been appointed in his place.

*

Mr. Neil Cooper has been appointed assistant general manager of GUY BUTLER (HONG KONG), part of the Guy Butler (International) group.

*

Mr. Tony (A. P.) Bird will be joining T. C. COOMBS AND CO., stockbrokers, as a consultant. Mr. Bird is also associated with Chase Econometrics and is a council member of the Society of Investment Analysts.

*

JOHNSON MATTHEY BANKERS has appointed **Mr. W. G. Salvage** as chief dealer—foreign exchange. Mr. Salvage joined the bank in 1974. He has been a senior dealer for two years. Mr. Salvage will be directly responsible to Mr. R. Pealling, the bank's foreign exchange manager.

*

The United Nations FOOD AND AGRICULTURE ORGANISATION, Rome, has appointed **Mr. Renzo Scavazzon** of Italy as the FAO representative in Honduras, and **Mr. Yahya Amin Salah** of Jordan as the FAO representative in Iraq.

*

Mr. Richard W. Davies has been appointed chairman of DOLLONDS PHOTOGRAPHIC.

*

ASSOCIATES CORPORATION OF NORTH AMERICA, New York, executive vice-president **Mr. Harold D. Marshall** has been elected to the Board of several of the financial service company's subsidiaries. Mr. Marshall, who heads The Associates' transportation, industrial financing and fleet leasing operations, will serve as a director of Associates Capital Corporation, The Associates' British consumer and commercial financing subsidiary, and Associates Capital Corporation, which provides financing services to individuals and businesses located in Canada.

Mr. Marshall succeeds **Mr. Ronald J. Krause** as a director of Associates Capital Corporation. Recently, Mr. Krause was named vice-chairman of The Associates responsible for the company's commercial financing activities as well as its extensive computer and communication operations. In addition, Mr. Marshall will serve as a director of Cumberland Life Insurance as well as two casualty insurance companies, Emmco Insurance and Excel Insurance, which make up The Associates' insurance group.

The company also announced that senior vice-president **Mr. John D. Kines** has been elected director of ASSOCIATES CAPITAL CORPORATION. Mr. Kines is responsible for the company's domestic truck/trailer and auto leasing operations, and its commercial financing and leasing activities in the U.K. The Associates are a Gulf and Western Company.

*

Mr. A. Donald H. MacDonald has been appointed Glasgow area manager of the INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION (ICFC) in succession to **Mr. J. L. Wishart** who is assuming responsibility for developing ICFC in Northern Ireland and undertaking other duties in Scotland. Mr. MacDonald has been with ICFC for 10 years during which he managed ICFC's Sheffield area office and more recently was Scottish manager of ICFC Corporate Finance, whose activities were formerly carried out by Scottish Industrial Finance. **Mr. R. McIntosh** succeeds Mr. MacDonald as Scottish manager of ICFC Corporate Finance. Mr. McIntosh was formerly with ICFC, Finance for Shipping and Estate Duties Investment Trust (EDITH) until 1972, when he left ICFC to manage the newly formed leasing subsidiary of the Royal Bank of Scotland.

*

Mr. Michael Jenkins is relinquishing his position as a managing director of the European Options Exchange and has been appointed a director of DIRECTORSHIP APPOINTMENTS.

*

Mr. John Freeman has been appointed marketing manager for WCB-CLARES, of Wells, manufacturer of shop and distribution handling equipment.

*

PEAT MARWICK MITCHELL, the UK's largest accountancy firm, has appointed **Mr. Guy Parsons** as its insolvency chief.

*

Mr. James Hetherington has been appointed town clerk and chief executive of MANCHESTER. He has been city treasurer since 1973, and takes over from Mr. Robert Calderwood, who has been appointed chief executive of Strathclyde Council.

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

COPENHAGEN

VIENNA

GERMANY

MILAN

OSLO

PARIS

SPAIN

STOCKHOLM

SWITZERLAND

TOKYO

BRAZIL

HONG KONG

AUSTRALIA

JOHANNESBURG

CANADA

WALL STREET

NEW YORK

U.S. MONEY MARKETS

BY DAVID LASCELLES

The Fed goes to the root

WITH TODAY a U.S. bank holdiay, the credit markets will have an extra 24 hours to digest the Fed's week-end credit package—which brings both good news and bad. On balance, the full one per cent increase in the discount rate to a record 12 per cent and the increased reserve requirements on short-term borrowing are just what the markets expected at the close of business on Friday. So the immediate impact has already largely been discounted. Longer term prospects are harder to judge, though.

The package follows—and is in many ways a response to—a fortnight of hectiv and at times doom-laden trading in the money markets. Last week alone interest rates set new records across a broad front At the short-end of the market, Treasury bills were auctioned at new highs, and at the long end the latest Bell issue carried a record 10.20 per cent yield. Yields on corporate bonds were all up, with new long term triple-As breaking through the 9.50 per cent level.

There were many reasons. One was the latest producer price index, which rose 1.4 per cent in September, equivalent to an annual rate of 16.8 per cent—a high level which seemed to put paid to any chances of inflation abating this year. Apart from a small downward silp tow weeks ago, the main money supply measures have moved firmly upwards too.

Confusing reports and signals emanating from the IMF meeting in Belgrade also eroded confidence. Those who thought the U.S. would take firm action to help the dollar and to combat inflation retreated before the spectre of higher interest rates. Those who thought the U.S. would do nothing simply got out of the market as best they could.

By the end of the week, the markets were in an extraordinary state. Rumours were rife that Mr. Paul Volcker, the Federal Reserve chairman, had resigned — even that he had been voted down by the rest of the Fed board and that he had been taken ill. But underlying all this was the strong expectation that the Fed would do something before the weekend was over. Though this did not stabilise the market to the same extent it did the dollar and gold.

But there was a nagging fear in Wall Street that the Fed's response would be shaped more by what was happening to the dollar and gold than by domestic inflation, widely considered to be the root problem.

However, the Fed does not appear to have been distracted by the dollar's antics. In contrast to last year's dollar rescue package, the bond markets are likely to interpret Saturday's measures as a strictly domestic move aimed at dampening credit demand curbing inflation, with any beneficial side effects on the dollar as a useful bonus.

The boldness of the measures also increases their chance of success. So, while higher interest rates are bound to depress fixed income security prices in the near term markets, they could stabilise rates in the longer term by raising hopes for better economic conditions later on.

But the measures pose potential borrowers with some tricky choices: Until recently, most corporations had been deferring long-term borrowing plans until interest rates peaked and had turned downwards, tiding themselves over with short-term money.

This weekend's measures have sharply changed the picture and, ironically, it already looks as if IBM did the right thing when it borrowed a record $1bn in long-term money last week.

The computer company got its 25-year money for 9.415 per cent on Thursday. Yet the underwriters were stuck with more than 20 per cent of the issue by the end of the week because rates were going up so fast that the bonds had lost their attraction within 24 hours. Even the Bell issue carrying the record 10.20 per cent yield sold slowly.

Even if the Fed does succeed in curbing credit demand, the markets are bound to face further rate rises. A price rate of 14 per cent is now on the cards (up from 13½ per cent, which is already 1½ per cent above the previous record high). Some economists believe Mr. Volcker will not rest until interest rates have overtaken the inflation rate, and become an effective demand suppressant rather than just another rising cost.

And there are signs that the U.S. economy is still robust enough to take some strong medicine. Unemployment was down last week, and factory orders were up—to everyone's surprise.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Leadmanager	Offer yield %
U.S. DOLLARS							
‡§Charter Oil	50	1994	—	8½	100	E.F. Hutton Int. Inc.	8.25
‡†Sweden	150	1991	¶	—	100	Crédit Suisse Fst. Boston	—
‡†Hill Samuel	30	1991	12	5¼ø	100	Morgan Stanley	5.32ø
§Toshiba	50	1994	—	7½	100	Smith Barney Harris Upham	7.64
§Alco Standard	30	1994	—	9-9½	100	Kidder Peabody	*
†CNT (g'teed France)	100	1986	7	5¼ø	100	CCF	5.32ø
†Bank of Tokyo	50	1989	10	5¼ø	100	S. G. Warburg	5.32ø
Mun. Fin. Auth. Br. Columbia	47.5	1989-99	—	10½	*	CCF	*
Dev. Fin. Corp. N. Zealand	40	1982	3	11	*	Citicorp Int.	*
D-MARKS							
Oesterreich Kontrbk. (g'teed Austria)	100	1989	10	7½	100	Dresdner Bank	7.25
African Dev. Bank	100	1987	8	8	*	D. G. Bank	*
SWISS FRANCS							
‡Malaysia	80	1989	n.a.	5	99½	Swis Bank Corp.	5.10
‡Norges Kommunalbank (g'teed Norway)	100	1991	n.a.	4¾	100	B. Gutzwiller, Kurz, Bungener	4.75
‡Oesterreich Kontrbk. (g'teed Austria)	100	1991	n.a.	4⅜	100	Wirtschafts-und Privatbk.	4.375
‡Genossenschaftliche Zenbk.	100	1989	n.a.	4¼	100	UBS	4.25
‡**Kawasaki Heavy Ind. (g'teed Dai-Ichi Kangyo Bank)	100	1986	n.a.	4½	100	Swiss Bank Corp.	4.5
‡**§Showa Sangyo	45	1984	—	4¾	100	Bank Julius Baer	4.81
‡**§Osaka Cement Co.	20	1984	—	4⅞	100	Paribas (Suisse)	4.875
‡**Mort. Bank Denmark	150	1985	n.a.	4½	100	UBS	4.5
**City of Helsinki	20	1986	n.a.	4⅜	100	Nordfinanz Bank, Swiss Volksbank	4.375
City of Oslo	100	1991	n.a.	4⅜	99½	Handelsbank	4.455
‡**Arbed	60	1984-85	—	4⅝	100	Banca Della Svizzera Italiana	4.625
LUXEMBOURG FRANCS							
‡Akzo	500	1987	6½	9½	100	Banque Generale du Luxembourg	7.25
KUWAITI DINARS							
Credit Lyonnais	6	1987	¶	8	100	KIIC	8.0

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ø Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. Note: Yields are calculated on AIBD basis.

INTERNATIONAL BONDS

BY OUR EUROMARKETS STAFF

A Volcker package to the rescue

THE NEWEST set of U.S. measures to defend the value of the U.S. dollar would appear to have impact on the Eurocurrency markets in two distinct ways. First, in the Eurosecurities market, the raising of the discount rate and the new emphasis of U.S. monetary policy should provide international investors with reassurance that Mr. Paul Volcker means business against U.S. inflation. But it will also raise inventory costs for dealers.

Second, in the Euro-deposit and loan markets, the moves must lead to a sharp if temporary rise in short term rates and would appear to discriminate against the overseas activities of U.S. banks. Put simply, before the package a U.S. bank branch in London could accept deposits reserve free from the U.S. and lend them back either to its U.S. parent or to a U.S. corporation. In the wake of the package it must pay a reserve penalty on either form of repatriation.

It does not appear that the same penalty must be paid by a non-U.S. Eurobank which, on the other hand, does not have such access to U.S. borrowers or depositors. The upshot is that the main element of the Euromarket's "short circuit" of U.S. tight money policy has been removed but that unpredictable and perhaps profitable loopholes remain for non-U.S. banks. In August, for instance, U.S. corporate borrowers were the largest single group of Eurodollar borrowers in the industrialised countries.

The Eurodollar bond market could now be technically poised for an appreciable rally. It all depends on how the foreign exchange markets greet this new initiative and on whether current long term yields come to be perceived as adequate.

Last November, in th aftermath of the Carter package it took a little time for sentiment in the bond market to improve to a point where new straight dollar issues were again possible—even though the overall international reaction to the package was favourable.

But this time we have a situation where straight dollar bonds are already on the slipway; last week the first two issues for two months were announced, a 20-year bond for British Columbia, and a $40m three-year issue for New Zealand's Finance Development Corporation with a record 11 per cent coupon indicated.

These were offered to a market in which a weak dollar, rising U.S. inflation and interest rates and turbulent gold and precious metal prices had all contributed to falls in dollar bond prices of up to 2 per cent over the week.

While some U.S. banks were already beginning to talk about the long-awaited turn, there was still an obvious buyer's "strike" among the vast majority of German, French, Dutch and Swiss investment advisers when it came to putting their clients into fixed interest U.S. dollar securities.

The question now is whether the latest action from the Fed will convince such investors that the U.S. monetary authorities have now been hounded towards self-discipline long enough, and that long-term dollar bond yields now compare favourably with the long-term outlook for U.S. inflation.

In fact, the $47.5m 20-year issue for the Municipal Finance Authority of British Columbia should provide an ideal test-case for the market, combining as it does a high coupon with a long maturity.

Westdeutsche Landesbank decided not to join the management group of this bond, precisely because of anti-dollar sentiment in Germany. Yet, a proportion of this issue was pre-placed and, according to the lead manager, CCF, some 70 per cent of the book had already been covered.

Investor response to the $40m three-year issue from the New Zealand agency did not appear to be too bad on Friday night. But conditions for this issue could well prove turbulent this morning, given that its short maturity of three years makes it more of a money market instrument than a bond.

This turbulence will presumably extend to the market for floating rate notes. A $50m FRN issue was launched for the Bank of Tokyo last week and on Friday a $30m FRN for Hill Samuel was priced with indicated terms otherwise unchanged, after meeting with a far reception. Some market commentators, even before the events of this weekend, were already seeing incipient loss of interest among investors in the FRN sector.

The harder currency sectors of the bond market remained quiet last week. Prices were virtually unchanged on Guilder, Swiss franc and Deutsche Mark bonds.

One major possibility overhanging these markets is that of a new issue of "Carter bonds" to help the dollar. Bundesbank officials confirmed that technical talks were taking place between Frankfurt and Washington on the subject of the borrowing. But the view must now be that such an issue is not urgent.

In the foreign D-mark bond sector, a DM 100m eight year public issue was launched for the African Development Bank by DG Bank. Deutsche Bank was expected to launch a DM 50m private placement with a coupon of 8¼ per cent for the Postmaster General of South Africa during the weekend.

The next bond in this sector is expected to come next week, for Chile, through Dresdner Bank, marking the first ever D-Mark denominated bond for this borrower.

In Kuwaiti Dinars, the first ever bond for Credit Lyonnais is being arranged through Kuwait International Investment Company. The French bank is raising KD 6m for eight years with an indicated coupon of 8 per cent.

By NICHOLAS COLCHESTER and JOHN EVANS

INA rethinks bank plan

THE ORIGINAL plans of INA, the big American insurance company, to build up a "universal" bank, backed by its $1bn of net worth, have been shelved. This is implicit in the company's decision to go along with the proposal of Paine Webber, the major Wall Street broking house, to take over INA's investment banking subsidiary, Blyth Eastman Dillon.

Mr. Ralph Saul, the former investment banker who is chairman of INA, confirmed over the weekend that Mr. Minos Zombanakis would part company with Blyth Eastman Dillon (BEDCO) as a result of the planned takeover. Mr. Zombanaksi is to remain chairman of INA International Holdings, the overseas offshoot of the insurance company, which was originally envisaged as the vehicle through which INA would achieve its expansion into international banking.

Whereas before INA had a controlling stake in BEDCO of 67 per cent, and could envisage it as part of its planned international banking empire, the result of the proposed merger will be to leave it with an essentially passive involvement based upon a 20 per cent shareholding. Mr. Saul conceded that INA's aspirations have proved over-ambitious and "will now be restrained."

In the place of INA's financial might the investment banking business of BEDCO will now be backed by the complementary resources of a large Wall Street retail broking house, with a substantial distribution network.

BEDCO has 100 investment banking officers, of whom 20 are abroad. Paine Webber has about 60 such officers, with no significant international presence.

Where BEDCO was until now fifth or sixth in the U.S. underwriting league table, it will rise to fourth place as a result of this merger. The investment banking arm of the merged group will be called Blyth Eastman Paine Webber and will be headed up by Mr. Al Shoemaker, currently BEDCO chairman.

It seems probable that BEDCO's fledgling international investment bank will now be in the hands of Mr. Richard Butler, who Mr. Zombanakis took with him from First Boston when he joined Blyth Eastman in June last year. But the details are not yet settled and executives from both sides are still sounding each other out.

The international arm of Bedco has so far not turned a profit, largely because it has been in a state of development. It currently possesses offices in London, Athens and Paris. As a result of the merger, it should have much greater potential in the "Yankee" bond market.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	80	93¾	93⅞	−0½	−1½	11.11
Alex Howden XW 9½ 91	30	80	82	0	0	12.89
Australian Res. 9¾ 84	30	95½	95⅞	−0¼	−0¼	10.89
Avco O/S Cap. 10½ 87	40	87½	88¼	−0⅛	−1⅛	12.81
Beneficial Fin. 9¾ 87	100	95⅛	95¼	+0⅛	0	10.61
CECA 10¼ 91	150	90⅞	91⅛	−0⅛	−1⅞	12.19
CECA 9⅞ 99	125	†88¾	89⅛	+1⅛	+0¼	11.37
Canadian Pacific 9¾ 89	50	94½	95	−0⅛	−1⅛	10.63
Carter Hawley 9¾ 86	50	94¾	94⅞	+0⅛	−0⅛	10.82
Comalco Inv. E. 10¼ 91	40	95½	96¼	−0⅛	−0⅞	10.87
Continental Grp. 9¾ 86	100	95½	95⅞	0	−0⅛	10.64
Dome Petroleum 10 94	50	92½	93	−0¼	−1	11.00
Dominion Bridge 10¼ 84	30	95½	96¼	−0¼	−0⅜	11.40
Dow Chem. O/S 9¾ 94	200	93½	94	−0⅛	−1⅛	10.47
EIB 9⅞ 99	100	89⅝	90¼	−0¼	−0⅞	10.82
EIB 9⅞ 87	150	96⅝	97⅛	−0¼	−1	10.72
EIB 10 99	150	96⅞	97⅜	0	−0⅛	10.61
EIB 10¼ 87	100	98¼	98⅝	−0⅛	−0⅜	10.71
EIB 10.15 99	100	97⅛	98¼	0	−0⅛	10.64
Export Dv. Cpn. 9¼ 84	100	94⅝	95⅛	−0⅛	−0⅞	10.74
Export Dv. Cpn. 9¾ 84	150	96½	97⅛	−0⅛	−0⅛	10.08
Finland 9½ 86	100	92½	93¼	−0⅜	−1	11.08
Finland 9¾ 89	100	94	94½	−0⅛	−1	10.86
GTE Finance 9½ 84	50	95	95½	−0¼	−0⅛	10.88
GTE Finance 9¾ 89	55	92⅝	92⅞	−0¼	−0⅞	11.05
General Motors 9¾ 85	100	93¾	94¼	−0⅛	−1	10.55
Gould Int. Fin. 9¾ 85	50	94⅝	95¼	−0¼	−1⅛	11.00
Hoechst Fin. XW 6¾ 89	125	†75½	76	−0⅛	−1¼	10.90
Hudson Bay Co. 10 84	50	94¼	94⅞	−0¼	−0⅞	10.73
ITT Antilles 9½ 89	75	92¼	92⅞	−0¼	−0⅜	10.77
Kennecott Int. 9½ 98	100	89⅜	90⅛	−0¼	−0⅛	11.73
Manitoba 9¼ 88	75	92¼	92⅞	−0⅜	−1	10.78
Michelin 10 94	125	93⅞	94⅜	−0¼	−1	10.80
Nat. Des Telecom. 9½ 86	100	94⅝	95⅛	−0½	−0⅛	10.59
New Brunswick 9¾ 94	75	91½	92	−0⅛	−1⅛	10.89
Newfoundland 10 94	50	95⅞	96⅜	−0¼	−0⅛	10.61
Norges Komm. 9⅞ 98	100	96⅞	97⅜	−0⅛	−0⅛	10.47
Norway 9½ 84	150	95½	96	−0⅜	−0⅛	10.69
Nova Scotia Pwr. 9¾ 89	50	93¼	93⅞	−0½	−0⅞	10.83
Occidental Fin. 10¼ 84	80	94½	95	−0⅛	−1½	11.74
Orient Leasing 9½ 86	25	†92¼	92⅝	0	−0½	11.15
Pennwalt O/S F. 9¾ 84	25	95⅝	96¼	−0⅛	−0⅜	10.90
Pepsico Cap. 9¾ 84	100	94⅝	95¼	−0½	−1⅛	10.74
Portland 10 84	50	†93⅜	93⅞	0	−1⅛	11.90
Quebec Hydro 10 99	75	91	91½	−0¼	−1	11.10
Redland Fin. XW 9½ 91	25	85½	87	0	−0¼	11.72
Sears Roebuck 9 82	150	94¾	95¼	−0⅜	−1	11.49
Statoil 9⅞ 89	100	93⅞	94⅜	−0⅛	−0⅛	10.60
Stockholm 9¾ 94	80	†96	96½	0	−0⅛	10.51
Sweden 9¾ 89	100	94¾	95¼	−0⅛	−0⅛	10.61
Sweden 9½ 86	200	†95½	96⅛	0	−0⅛	10.65
Sweden 9¾ 84	100	97	97½	−0⅛	−0½	10.49
Unilever NV 9¼ 87	100	93¾	94½	−0⅜	−0⅛	10.42
Warner-Lambert 9 84	100	93⅞	94¼	−0⅛	−1	10.69

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 7½ 89	150	95¼	96	+0¼	+0¼	8.17
Asian Dev. Bk. 7¼ 89	100	98½	99	+0⅛	−0⅛	7.43
Banco Desarrollo 7¼ 86	100	94	95	+0⅜	+0⅛	8.38
Barclays O'seas 6¾ 89	100	95¾	96½	0	−0⅛	7.32
Brazil 7¼ 87	150	96	96¾	0	−0⅛	7.92
Brazil 8 87	150	99⅝	100½	+0⅛	−0⅜	7.97
CECA 7 91	150	98½	98⅞	0	0	7.19
Council of Eur. 7¼ 89	100	98¾	[illegible]	0	−0¼	7.43
Denmark 5¾ 85	100	94½	94⅞	−0¼	+0⅜	7.05
Denmark 6½ 89	100	94½	95	−0¼	+0⅛	7.29
EIB 6½ 91	200	93	93½	0	0	7.38
EIB 7½ 89	200	100⅝	101⅛	+0⅛	+0¼	7.34
Eletrobras-Brazil 7 87	100	96½	97	−0¼	+0⅛	7.59
Eurofima 6½ 89	100	98½	99¼	+0⅜	+0⅛	6.66
Kobe, City of 7¼ 89	150	98¼	98¾	0	−0¼	7.34
Mitsubishi Chem. 6½ 84	70	99	99½	−0¼	−1	6.65
New Zealand 7¼ 87	200	98¾	99¼	+0⅜	−0⅛	7.34
Nippon Kokan 6½ 84	100	98	98¾	0	−0⅛	6.92
Nippon Tel. & T. 5½ 87	100	91½	92¼	+0¼	−0⅛	6.95
Norges Komm. 7¾ 91	150	102⅞	103⅝	0	0	7.32
Norway 6¼ 84	300	98⅝	99⅛	−0¼	−0⅛	6.50
OKB 6 87	40	95¼	96	+0⅞	+0⅛	6.77
Tokyo Elec. Pwr. 6½ 85	200	98	98½	0	−0⅛	6.88
World Bank 7¾ 91	400	100⅞	101⅜	0	−0⅛	7.59

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	102¾	103	−0¼	−0⅛	5.12
Asian Dev. Bank 3½ 94	100	87¼	87½	+0¼	+0⅛	4.73
Aumar 5 89	60	101⅞	102	0	+0¼	4.75
Australia 3¾ 89	250	96	96¼	+0¼	+0⅛	4.12
Bergen, City of 4¾ 91	40	103⅞	104⅞	−0⅜	−0⅛	4.31
BNDE 5 89	75	94⅞	95⅛	0	−0¼	5.68
Caisse Nat. Tele. 4¼ 89	100	102¼	102½	−0¼	−0¼	4.09
Canada 3¾ 89	300	96⅞	97⅛	0	+0¼	4.01
Denmark Mi. Bk. 4¾ 91	30	101	101¼	+0¼	+0¼	4.62
EIB 4½ 91	100	101¼	101½	−0¼	−0¼	4.35
EIB 4½ 94	100	†98	98¼	0	−0¼	4.55
Elat. de France 4¾ 88	100	102⅜	102⅝	−0¼	+0⅜	4.06
Heron 4¼ 89	35	95½	96	0	−0⅜	4.90
ICI Fin NV 3½ 94	230	90½	90¾	0	−0⅛	4.39
Int.-Amer. Dev. 4½ 89	100	100⅞	101⅛	0	+0¼	4.37
New Zealand 3½ 94	120	†90¾	91	+0⅜	+1⅞	4.37
Nippon Tel. & T. 4¾ 89	100	†102¼	102½	0	+1½	3.96
Nordic Bank 5 89	45	103¾	104	+0⅜	+0⅛	4.50
Norwegian Mort. 4½ 91	45	†99½	99¾	0	−0½	4.54
OKB 3¾ 91	100	†94¼	95	0	+0⅜	4.35
Pfand Ost. Lande 4 90	80	96	96¼	−0¼	−0⅛	4.47
Philippines 4¾ 89	50	97¼	97⅝	+0¼	−0⅛	5.12
Shikoku El. Pwr. 4¾ 89	100	102½	102¾	+0¼	−0⅛	4.41
Spain 4 91	100	96	96¼	0	+0¼	4.44
Steweag 4¾ 91	60	103¾	104	0	−0¼	4.32
Voest-Alpine 4¾ 89	90	105¼	105½	−0⅜	+0½	4.06
World Bank 4¾ 89	100	103¾	104	+0⅜	+1⅛	4.14
World Bank 4¾ 89	150	100⅝	101⅛	+0⅜	+0⅛	4.26

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92¼	93¼	0	0	7.81
Australia 6½ 88	20	89⅝	90⅝	+0¼	0	8.20
EIB 7¾ 89	12	98⅛	98⅞	−0⅛	0	7.97
Finland 5.6 83	10	91¾	92⅛	−0⅛	−0¼	8.06
Finland 6.8 88	10	90¾	91¼	+0¼	+0¼	8.42

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	20	96¼	97¼	0	0	9.76
Avco Fin 10¼ 86 CS	25	90⅛	90⅞	−0⅛	−0⅞	12.38
Bell Canada 10¼ 86 CS	50	97⅝	97⅞	0	−0⅛	11.26
Cr. Foncier 10¼ 84 CS	30	92	92½	−0⅛	−1⅜	12.57
Ex. Dev. Cpn. 10 84 CS	50	95¼	96⅜	+0⅛	−0⅛	11.27
Fst. Can. Inv. 10 84 CS	50	92⅛	92¾	−0⅛	−0⅛	12.22
Hudson Bay 10½ 89 CS	50	91½	91⅞	−0⅛	−3	12.04
Quebec 10¼ 86 CS	50	92¼	92⅝	−0⅛	−1	11.94
R. Bk. Canada 10 86 CS	40	94¾	95¼	0	0	11.08
R. Bk. Canada 10 94 CS	40	90¾	91¼	−0⅛	−0⅛	11.27
Copenhagen 8¾ 91 EUA	25	97	98¼	0	+0¼	8.55
Copenhagen 8¾ 91 EUA	20	†103¼	104¼	−0⅛	+0¼	8.18
SDR France 8½ 94 EUA	24	*101¾	102¾	0	+0⅛	8.24
SOFTE 8¾ 89 EUA	40	94	95¼	0	+0⅛	9.10
Algemene Bk. 8¼ 84 Fl	75	97⅞	98⅜	0	−0⅛	8.73
Amev 8½ 86 Fl	75	98	98½	0	−0⅛	8.85
EIB 7¾ 85 Fl	75	92¼	93¼	0	+0⅛	8.92
Ned. Middbk. 8¾ 84 Fl	75	97¾	97⅞	−0¼	−0⅛	8.89
Norway 8¼ 84 Fl	100	98¼	98⅞	−0⅛	+0⅛	8.61
Norway 8¼ 84 Fl	100	98	98½	−0⅛	0	8.70
Air France 11 84 FFr	120	98¼	99¼	0	−0⅛	11.16
Euratom 9¾ 87 FFr	150	90⅝	91⅛	−0⅛	0	11.51
Norway 9¾ 84 FFr	200	92¾	93¾	0	+0¼	11.26
PSA Peugeot 9¾ 87 FFr	175	89¼	89⅞	−0⅛	−0⅛	11.96
Renault 9¾ 85 FFr	100	92⅞	93⅜	−0⅛	+0¼	11.52
Saint-Gobain 9¾ 86 FFr	130	89¾	90⅛	−0⅛	0	12.00
Solvay et Cie 9¾ 87 FFr	125	89¼	90	−0⅛	−0⅛	11.88
Total Oil 9¾ 87 FFr	150	87½	87⅞	−0⅛	−0⅛	11.98
Citicorp 10 93 £	20	84¾	85½	0	−0⅛	12.29
EIB 9¾ 88 £	25	89¾	90	0	−0⅛	11.74
EIB 11½ 91 £	25	83¾	84	0	−0⅛	12.54
Finance for Ind. 13 91 £	15	100¾	101¼	0	+0⅛	12.80
Fin. for Ind. 12¼ 89 £	30	97½	98	−0⅛	−0⅛	12.89
Gen. Elec. Co 12¼ 89 £	50	98¾	98⅞	0	+0¼	12.75
Indonesia 8¾ 91 KD	7	*96¾	96⅝	0	−1⅛	9.22
Mitsubishi 7½ 84 KD	10	*95½	96	0	−0⅛	8.60
Norges Kom. 7½ 89 KD	12	*94⅝	95¼	0	−0⅛	8.26
Occidental 8¾ 91 KD	7	*94	94½	0	−0⅛	9.08
Euratom 8 87 LuxFr	500	95¼	96⅛	0	−0⅛	8.81
Norges Kom. 8 86 LuxFr	500	94¾	95¼	+0⅛	−0⅛	9.02
Oslo, City of 8 89 LuxFr	500	94	95	−1⅛	−2	8.87
Solvay Fin. 8 85 LuxFr	500	†94¼	95¼	−1	−1⅛	9.16

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BNDE 6 89	0¼	†96¾	97¼	21/12	13.38	13.78
Banco di Roma Int. 6 87	0¾	98¼	99	26/10	11.19	11.33
Bco. Nac. Argent. 7 86	0¼	98¼	98⅞	22/3	13.19	13.39
Banco Prov. BA 7¾ 86	0¾	97⅞	98¾	12/5	11	11.20
Banco Urquijo 6 86	0¼	97⅞	98¾	21/3	11⅛	11.59
Bque. Indo Suez 5¾ 89	0¼	98¼	98¾	11/1	11	11.17
Banque Sudameris 6 87	0¼	96½	97	11/1	11⅛	11.50
BNP 5½ 91	0¼	97¾	98¼	22/2	11.94	12.20
Citicorp O/S Fin. 6 94	‡0¼	99⅝	100¼	8/8	10.69	10.70
Citicorp O/S 83	‡0	99½	100	23/2	12.81	12.85
Creditanstalt 5½ 91	‡0¼	98¼	98¾	14/9	10⅞	11.03
GZB 5½ 89	‡0¼	98½	98¾	1/11	11.44	11.61
Jugobanka 8 89	0¾	95½	96¼	23/11	11⅞	12.42
LTCB Japan 5½ 89	0¼	98⅝	98⅞	7/12	11⅛	11.28
Mfrs Han. O/S 5¾ 94	‡0¼	99¾	99⅞	23/11	12.56	12.61
Nacional Fin. 6¾ 86	0¼	97½	98	25/1	11⅛	11.76
Nat. West. 5¾ 94	0¼	98⅝	98⅞	11/10	11	11.15
Nippon Cred. Bk. 6½ 86	0¼	97⅝	97⅞	12/1	10⅞	11.14
Petro Mexicano 7 84	0¾	98⅛	98⅝	24/1	11.44	11.60
Royal Bank Scot. 5¾ 94	‡0¼	98½	99	11/10	11	11.14
Soc. C. de Bque. 6½ 87	0¼	98¾	98⅞	3/4	—	—
Sogenal 5¾ 89	0¼	97¼	97⅝	11/1	10.94	11.22
Sumitomo Heavy 5½ 84	0¼	99¼	99⅝	13/3	13.06	13.13
Texas Int. Airways 7 86	‡0¼	96⅝	96⅞	11/10	11.56	11.97
TVO Pwr. 9 91 (D-lock)	0⅜	97⅛	97⅞	24/11	11⅛	11.40
Utd Overseas Bk. 6 89	‡0¼	97⅞	98¼	29/9	11.14	11.35
Williams & Glyn 5¾ 91	0¼	98¼	98⅞	14/3	—	—
Bq. E. d'Alg. 4¾ 89 SF	0⅝	95¼	96	18/12	4¼	4.43

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7¾ 89	10/79	145	93	93¾	−0¼	−5.30
Asahi Optical 7 94	11/79	805	95¼	95⅞	−0⅛	2.18
Canon 6¾ 94	8/79	570	100¾	101½	−0⅛	3.04
Ciba-Geigy O/S F. 4 94	8/79	675	97¼	97⅞	−0⅛	0.16
Credit Suisse 4¾ 93	10/79	1325	112	112¼	−0⅛	1.36
Esselte 7¾ 89	9/79	159	95¼	95⅞	−0¼	3.54
Honda Motor 5¾ 89	5/79	532	101¼	101⅞	−0¼	3.06
LPC International 8 89	9/79	35	102¼	103¼	0	2.88
Mitsubishi Cp. 6¾ 94	10/79	604	150	151¼	+2¼	1.63
Nippon Seiko 7¾ 94	12/79	339	93½	94½	0	3.12
Nitto Elec. Ind. 6 94	7/79	735	91	92	−0½	7.50
Union Bank Switz. 5 89	2/80	125	117⅞	119¼	−0⅛	11.37
Fujitsu 5 84 DM	7/79	475	102¼	103¼	+0⅛	17.93
Kansai Elec. 4 84 DM	4/79	1350	89¼	90	+0¼	60.67
Nippon Ysn. 3½ 85 DM	1/79	251	108⅞	109⅞	+3¼	4.87
Sharp Cpn. 3½ 88 DM	2/79	487	93⅞	94¼	−0⅛	12.11
Tokyo Elec. 3¾ 87 DM	4/79	476	96½	96⅞	−1	62.73
Tokyu Ld. Cp. 4 86 DM	4/79	483	82½	83¼	−0⅛	36.17
Uny Co. 6½ 85 DM	11/78	1071	101½	102¼	+0⅛	14.27

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Oct. 5	93.14	9.49	85.83	10.17
Sept. 28	93.38	9.41	86.00	10.08
High '79	95.75	(1/2)	89.98	(30/1)
Low '79	93.14	(5/10)	85.83	(5/10)

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	[illegible]	1,341.1
Previous week	428.1	1,513.1
Other bonds		
Last week	385.2	376.9
Previous week	[illegible]	476.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co., Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on October 5

● NEWS ANALYSIS—ROLLS-ROYCE SAGA ENDS

Aero-engine coup for the receiver

BY RICHARD LAMBERT

STOCKHOLDERS in R-R Realisations (the old Rolls-Royce, which crashed in February, 1971) are to receive a final payment of 8.41p per £1 of ordinary stock held. This brings to an end what must count as one of the most extraordinary liquidations of all time.

Immediately after the collapse, Rolls-Royce's unsecured loan stock was quoted at under £8, and there seemed little doubt that the only people interested in the ordinary stock certificates were lampshade makers. In the event, the secured and unsecured creditors have been repaid in full, and there has been £41.8m left over to distribute to stockholders—a rate of 63.41p per unit.

Ironically, the main beneficiaries of this remarkable out-turn are those U.S. speculators who piled into the stock immediately after the company went down. It has been estimated that in the final weeks of February, 1971, some 20m shares crossed the Atlantic taking the U.S. shareholding up to nearly two-fifths of the equity. The average price for each unit of stock could have been only a few pennies.

When the final cheques are posted on November 15, total distributions will have amounted to £246.4m. Of this, £57.2m has gone to debenture holders, £8.9m to preferential creditors, £138.5m to unsecured creditors, and the rest to stockholders. The question begged by these figures is whether Rolls-Royce needed to call in a receiver in the first place.

A 1972 Government White Paper on the subject left little room for doubt:

"Rolls-Royce's liabilities were large, hurriedly estimated, in part unquantified and unquantifiable. The extent of these liabilities would depend on whether the RB-211 aero engine contract were completed or cancelled. If it were cancelled, the Government were advised that the liabilities could have run into hundreds of millions of pounds. If the RB-211 went on, the company thought they would need at least an additional £150m to cover their expected cash flow deficiency and to provide for claims by Lockheed and the airlines for delay."

By the end of December, 1970, the net tangible assets of the company had been reduced to only £12.8m after a provision for future losses on the RB-211 contract. The Conservative administration was still firmly committed to a policy of letting lame ducks die, and a three-hour Cabinet meeting on February 3 decided that there was no alternative to the receiver.

Concessions

In the circumstances, that still looks a reasonable decision. But in the next few weeks, there seems to have been a change of heart. A leader in the Financial Times towards the end of March, 1971, commented that:

"In the immediate aftermath of the Rolls-Royce bankruptcy announcement, Lockheed was much more anxious than the British Government that the engine project should continue. But the news from Washington this week has suggested that such concessions as have been made have in the main come from the British side."

And there were indeed some remarkable concessions in the agreement signed that month, by which the Government took over the aero-engine business through its newly formed Rolls Royce (1971) Limited. Although Rolls-Royce Limited, the seller, had been brought to its knees it was agreed that the aero-engine business should be sold to the Government on a willing buyer/willing seller basis—a wholly artificial concept. The RB-211 assets were sold separately at a price of £1, with the proviso that the Lockheed contract could renegotiated.

That was conducted at the highest level of Government. And part of the agreement was that Lockheed and its customers waived any claims they might have had to damages against the company which had signed the contract—Rolls-Royce Limited.

As a result, the aero-engine business was eventually sold to the Government for £87.9m. A stroke of the Government's pen had turned what had appeared to be an almost unlimited liability into a valuable asset for Rolls-Royce stockholders. It was indeed a coup for the receiver, Mr. Rupert Nicholson of Peat, Marwick, Mitchell.

Biggest ever

The major success for the receiver and his joint liquidators, Sir William Slimmings and Mr. Keith Wickenden, lay in the sale of the motor car and diesel engine companies. A somewhat neglected and not very profitable business, it was originally intended to be sold by private tender.

Bids were made by half a dozen companies, including Lonrho and Slater Walker. But it was decided (correctly) that the public would pay more and in May, 1973, N. M. Rothschild and Sons offered for sale the whole of the capital of Rolls-Royce Motors. It was the biggest flotation ever at the time and it bright in £37.2m after expenses.

Upside down

The other assets of Rolls-Royce Limited—its debtors, properties and investments in such companies as Bristol Aerojet—have brought in a grand total of £102.2m. In addition, there have been net interest receipts of £23.7m after tax on the large sums of money held pending distribution to creditors and stockholders. The cost of the entire operation in terms of fees to the receiver and liquidators has been £4.6m.

Could it have been done a better way? The Government's decision to acquire the aero engine assets on a willing buyer/willing seller basis might seem to turn the whole concept of risk capital upside down. But, according to Mr. Guy Parsons, who is now executive partner-in-charge of UK insolvency practice at Peat Marwick, "RollsRoyce was such a special case. It is difficult to draw lessons from it that might apply in other instances."

Rolls-Royce's 80,000 stockholders will be summoned to their final meeting on February 7, 1980, and several hundred will probably turn up.

But Mr. Parsons does not think that Peat Marwick, which at one stage had about 200 people working on Rolls-Royce, will then be able to enjoy a well earned rest on the insolvency side. He thinks it could be a difficult winter for quite a few companies. "We're expecting more work. We are geared up for it, and are ready and waiting."

Oil 'casts gloom on outlook'

BY MICHAEL LAFFERTY

A DEPRESSING outlook for the world economy in the medium-term is forecast by Bankers Trust Company, despite the fact that recent oil price increases have been less severe than those of 1973-74.

The bank's newsletter Economic Benchmarks, says that the key problem is a shortage of oil necessary to support reasonable rates of growth over the next three to five years in the major industrial economies.

The reasons for this shortage lie in important changes in the way OPEC countries price and distribute oil and the lack of viable alternatives to oil in the near term. Bankers Trust sees industrial countries making strenuous efforts to relax the oil constraint on economic growth.

"Motivated primarily by political and social pressures, the investments in energy conservation and developing alternative energy supplies will require massive amounts of capital. Maintaining economic growth during 1980-85 at the levels experienced since 1975 would require investments on the order of $375bn."

Most developing countries are seen as facing greater external limitations than in 1974-76 in adjusting to the oil-related crisis by pursuing export promotion policies or by using credit to offset current account deterioration. Consequently, greater policy emphasis will have to be placed on domestic growth.

Among the developed countries, Japan and the U.S. appear to be heading for recession in 1980, but most European countries should be successful in keeping growth rates at positive levels although the pace will be reduced.

On the U.S., the newsletter says that President Jimmy Carter's recent commitment to take action on the energy problem is encouraging, "but his specific proposals give rise to many doubts about their effectiveness."

"The President appears to favour a more substantial government intervention in the energy area. The challenges facing the country, however, require the direct and active involvement of private industry and banking. The President's proposals do not suggest how the co-operation of the private sector is to be encouraged and strengthened," comments Banker Trust.

Smelt return to cleaner Thames

THE THAMES has been given a cleaner bill of health by the Thames Angling Preservation Society, which has found that two old residents have returned to London. As well as the 247 dace, 32 eels, 12 bleak, two flounders and two roach society fishermen caught in their annual angling competition, there were two smelt, a trout and a bream.

Mr. Illtyd Harrington, vice president of the society, said: "The smelt are really significant. They only like the cleanest of fresh water, and it is very rare indeed to find them in the Thames today." z

The smelt, which are protected fish and related to salmon, were immediately thrown back into the river after the competition, which took place between Wandsworth and Battersea Bridges.

The competition was won by Sgt. Charlie Humphries of the Metropolitan Police, and Mr. John Lonsdale, of Gravesend, Kent, who caught the largest amount of varied fish.

Change Wares Limited

AND ITS SUBSIDIARY COMPANIES

Interim Results for six months to 30th June, 1979

Note:
Earnings per share are calculated on the basis of net profits for the year less the fixed Preferred dividend divided by the total number of Ordinary and Participating Preferred shares. No account has been taken of the additional consideration of further Ordinary shares due under the Stockwell acquisition agreement.

	Unaudited results for six months ended 30th June 1979 £'000	1978 £'000	Year to 31st December 1978 £'000
Group Turnover	9,868	7,727	16,695
Profit before tax	326	280	615
Tax	Nil	Nil	Nil
Profit after tax	326	280	615
Dividends paid or declared			
—Preferred	52	52	105
—Ordinary & Participating Preferred	71	30	77
Retained profits	203	198	433
Earnings per Share	1.16p	1.53p	3.07p
Ordinary Dividend	0.3 p	0.2 p	0.4 p

Chairman's Comments

I am pleased to report that the unaudited figures for the first six months of the year show that the Group continued to achieve a useful improvement. This has enabled us to increase the interim dividend by 50 per cent in line with our intentions at the time of the Ordinary share rights issue. The earnings per share reflects this issue of 8.9 million Ordinary shares.

The Directors have declared an interim dividend of 0.3p per share payable to the Ordinary shareholders and Participating Preferred shareholders, payable on 30th November, 1979. The shares will be ex dividend on 8th October and the register will close for 10 days from 19th October, 1979.

This interim dvidend is in addition to the payment to the Participating Preferred shareholders of 0.6p per share, being the fixed cumulative dividend for the six month period to 30th June, 1979.

G. W. Rose, Chairman
5th October, 1979

Change Wares

ANNOUNCEMENTS

SIAM COMMERCIAL BANK LIMITED
(Incorporated in Thailand)
announce with pleasure the opening of their
LONDON
REPRESENTATIVE OFFICE
on 8th OCTOBER, 1979
at 35-39 Moorgate, 5th floor
London, EC2
Tel: 588-1448. U.K. Representative: Peter T. P. Chan

INTERNATIONAL DEPOSITARY RECEIPTS (IDR) ISSUED BY MORGAN GUARANTY TRUST CY OF NEW YORK REPRESENTING ORDINARY CONVERTIBLE CLASS C SHARES OF SEASCAN LIMITED

A distribution of US$0.25 per depositary share less any applicable taxes and fee will be payable on and after October 31, 1979 upon presentation of coupon No. 11 at any of the following offices of Morgan Guaranty Trust CY of New York:
—New York (USA) 30, West Broadway
—Brussels, 35, avenue des Arts
—Antwerp, 82, Frankrijklei
—London, 33, Lombard Street
—Paris, 14, Place Vendôme
—Frankfurt, Bockenheimer Landstrasse 8
—Zurich, Stockerstrasse 38
and at Banque Générale de Luxembourg, 14, rue Aldringen, Luxembourg.

REPUBLIC OF COSTA RICA
Floating Rate Note issue of US$20 million April 1978/85
The rate of interest applicable for the six month period beginning on October 10th, 1979, and set by the reference Agent is 14⅛% annually.

AUSTIN REED GROUP LIMITED
NOTICE IS HEREBY GIVEN that the Register of Members will be CLOSED and the registration of transfer of ALL CLASSES of shares will be suspended from 30th October to 2nd November 1979, both dates inclusive.
By Order of the Board,
G. J. TUBB, Secretary.
P.O. Box 2,
Thirsk,
North Yorkshire,
YO7 1PF.

LEGAL NOTICES

No. 1975 425
COMMONWEALTH OF THE BAHAMAS
In the Supreme Court Equity Side
IN THE MATTER OF INTERNATIONAL BANCORP LIMITED
AND IN THE MATTER OF THE COMPANIES ACT (CHAPTER 184)

NOTICE
NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being wound up are required on or before the 16th day of November 1979, being the date for that purpose fixed by Alan Roland Corbett, the official Liquidator of the said Company to send their names and addresses and the particulars of their debts or claims and the names and addresses of their Attorneys (if any) to the undersigned, and, if so required by notice in writing from the said official Liquidator, are by their Attorney to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they shall be excluded from the benefit of any distribution made before such debts are proved.
Dated this 28th day of September 1979.
PATON, ALEXIOU AND CO.,
P.O. Box N-4805,
St. Andrew's Court,
Frederick Street Steps,
Nassau, Bahamas.
Attorneys for
ALAN ROLAND CORBETT,
Official Liquidator,
International Bancorp Limited.
E. M. ALEXIOU,
Paton, Alexiou and Co.

No. 00343 of 1979
IN THE HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ESSEX APPOINTMENTS LIMITED (Employment Agents) and in the Matter of the Companies Act 1948. By Order of the High Court of Justice, dated the 26th day of June 1979, I, Kenneth Graham Baldwin, Chartered Accountant of 2-12 Wilson Street, London, E.C.2, have been appointed Liquidator of the above-named Company.
Dated this 24th day of September 1979.
K. G. BALDWIN, Liquidator.

GENEVA COURT OF JUSTICE
By a Decree dated September 13, 1979, the First section of the Court of Justice:
—has acknowledged, effective September 13, 1979, the resignation of Mr. Pierre Engel, by letter dated August 24, 1979, from his function as liquidator of the INTERNATIONAL CREDIT BANK, Geneva, under scheme of arrangement;
—has nominated, to replace him, Mr. Claude MOREILLON, Attorney at Law, 11, rue d'Italie, Geneva;
—has declared that there is no necessity to replace the later in his capacity as member of the Creditors' Committee.
This decree can be examined at the Office of the Clerk of the Court of Justice, Geneva.
Gérard REYMOND
Clerk of the Court
(1st Section).

COUR DE JUSTICE CIVILE DE GENEVE
Par arrêt du 13 septembre 1979, la Première Section de la Cour de Justice:
—a pris acte, avec effet au 13 Septembre 1979, de la démission de Me Pierre Engel, par lettre du 24 août 1979, de ses fonctions de liquidateur de la BANQUE DE CREDIT INTERNATIONALE, Genève, en liquidation concordataire;
—a nommé en son lieu et place Me Claude MOREILLON, avocat, 11, rue d'Italie à Genève;
—a dit qu'il n'y a pas lieu de remplacer ce dernier en tant que membre de la Commission des créanciers.
Cet arrêt peut être consulté au Greffe de la Cour de Justice de Genève.
Gérard REYMOND.
Greffier de la 1ère Section.

PUBLIC NOTICES

HAMPSHIRE COUNTY COUNCIL
£5m bills issued 5.10.79 to mature 2.11.79 at a rate of 13 17-64ths%. Total applications were £35m and there are £42m bills outstanding.

PLYMOUTH CITY COUNCIL BILLS
£0.5m issued 3rd October due 2nd January 1980, @ 13⅛%. Total applications £5m. Bills outstanding £0.5m.

CONTRACTS AND TENDERS

ARGENTINA
BELLA VISTA S.A.
SUGAR FACTORY
(in liquidation)
INTERNATIONAL CALL FOR TENDERS
PUBLIC REQUEST TO BIDDERS AND THIRD PARTIES TO BETTER BIDS

Bidders and third parties are publicly requested to better bids for the sale, as unity, of an agricultural-industrial complex comprising one sugar factory, alcohol distillery and sugar cane plantations, all located in the Province of Tucuman, Argentine Republic.

Bids shall have to amount to more than A.P. 22.000.000.000 (equivalent to US$ 15,175,000 approximately) taken to 12th September 1979, with the bringing up to date anticipated in the specifications sheet.

Terms of payment and all other requirements in accordance with the call for tenders specifications sheet, with closing date set for 12th September. Sugar production quotas for the lands on sale are included along with the object to be sold.

Sale of Specifications Sheet: San Martin 575, 2nd floor, Of. No. 15, San Miguel de Tucuman, Argentine Republic.
Opening of envelopes: 11th October 1979 at 4 p.m. at Defensa 120, 5th floor, Of. No. 5083, Buenos Aires.
Bids are to be submitted until one hour previous to the opening of envelopes at Defensa 120, 5th floor, Of. No. 5083, Buenos Aires.

For further information apply to: San Martin 575, 2nd floor, Of. No. 15, San Miguel de Tucuman, or C.O.N.A.S.A. Head Offices, Cerrito 1070, 11th floor, Buenos Aries, and at Rivadavia 179, San Miguel de Tucuman, Argentine Republic.

Sealed tenders on prescribed forms are invited from reputed firms of established financial standing, up to 3 pm on 30th October 1979, for supply of 574 Metric Tonnes of Guanidine Nitrate as per specification No. OFI/201/79 enclosed with the tender form. The tender forms and the specifications of the stores are available from the undersigned on any working day.
Minister (Supply)
High Commission of India
Aldwych, London, WC2
Tel. No: 836 8484
Ext. 329/332.

SYRIA
SUBJECT: HOMS—VI REFINERY EXTENSION—CALL FOR TENDER NO. 79079.
Please note that we have extended the D.D. for calls for tenders for the above project from 30/9/1979 till 14 hrs. pm 14/11/1979.
Dr. M. K. Karfoul
General Director

SUI NORTHERN GAS PIPELINES LTD.
TENDER NOTICE

Sui Northern Gas Pipelines Limited invite tenders from manufacturers for supply of Dehydration Plants on C & F Karachi Pakistan basis, as under:—

Tender Number	Material	Approx. Total Qty. Required	Tender Closing Date and Time	Tender Opening Date and Time
SN-4738/78	1. Dehydration Plant to Process:— Maximum Gas Flow Rate— 100 MMSCFD Minimum Gas Flow Rate— 25 MMSCFD	One Unit	24-11-1978 1100 hours.	24-11-1978 1105 hours.
	OR			
	2. Dehydration Plant to Process:— Maximum Gas Flow Rate— 60 MMSCFD Minimum Gas Flow Rate— 25 MMSCFD	Two Units		

2. Interested manufacturers are invited to apply for the Tender Documents specifying the above mentioned Tender Number to the following address:—

The Purchase and Stores Manager,
Sui Northern Gas Pipelines Limited,
Monnoo House, 3 Montgomery Road,
P.O. Box No. 56, LAHORE—PAKISTAN.

3. Final tender must reach the Company before the closing date and time mentioned above.

هكذا من الأصل

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Group (a)(g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)

Barclays Unicorn Ltd.♥ (a)(c)(g)

Baring Brothers & Co. Ltd.♥ (a)(g)

Bishopsgate Progressive Mgmt. Co.♥

Bridge Fund Managers (a)(c)

Britannia Trust Management (a)(g)

The British Life Office Ltd.♥ (a)

Brown Shipley & Co. Ltd.♥

Canada Life Unit Tst. Mngrs. Ltd.♥

Capel (James) Mngt. Ltd.♥

Carliol Unit Fd. Mgrs. Ltd.♥ (a)(c)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.♥ (a)(g)

Confederation Funds Mgt. Ltd. (a)

Cosmopolitan Fund Managers

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equitas Secs. Ltd. (a)(g)

Equity & Law Un. Tr. M.♥ (a)(b)(c)

Family Unit Trust Mngrs.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Unit Trs Mgrs.♥

Funds in Court*

G.T. Unit Managers Ltd.♥

G. & A. Trust (a) (g)

Gartmore Fund Managers♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)♥

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration♥ (a)(c)(g)

Hill Samuel Unit Tst. Mgrs.† (a)

Investment Intelligence Ltd.♥ (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.♥

Legal & General Tyndall Fund♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.*

M & G Group♥ (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray, Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Practical Invest. Co. Ltd.♥ (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.♥

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd.♥ (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group♥

Schlesinger Trust Mngrs. Ltd. (a)(z)

Schlesinger Trust Mngrs.—contd.

J. Henry Schroder Wagg & Co. Ltd.♥ (a)(c)

Scottish Equitable Fnd. Mgrs. Ltd.♥

Sebag Unit Tst. Managers Ltd.♥ (a)

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.♥ (a)(g)

Target Tst. Mngrs. (Scotland) (a)(b)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. Co.♥ (c)(y)

Trustee Savings Bank Unit Trusts (y)

Tyndall Managers Ltd.♥ (a)

TSB Unit Trusts (y)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

INSURANCE & PROPERTY FUNDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.♥

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.♥

Canada Life Assurance Co.

Cannon Assurance Ltd.♥

Capital Life Assurance♥

Charterhouse Magna Gp.♥

Chieftain Assurance Funds

City of Westminster Assur. Co. Ltd.

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Assurance Co. Ltd.♥

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.♥

Gartmore Bonds

General Portfolio Life Ins. C. Ltd.♥

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited♥

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Merchant Investors Assurance♥

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.♥

Norwich Union Insurance Group♥

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capital Life Ass. Co. Ltd.

Prudential Pensions Limited♥

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Solar Life Assurance Limited

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.♥

Tyndall Assurance/Pensions♥

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

OFFSHORE & O'SEAS FUNDS

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F. & C. Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Fund Mgrs. Ltd.

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

N.V. Interbeheer

International Pacific Inv. Mngmt. Ltd.

J.E.T. Managers (Jersey) Ltd.

Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Keep-Sec Management Jersey Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mngrs.

Kleinwort Benson Limited

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

M & G Group

Midland Bank Tst. Corp. (Jersey) Ltd.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

Negit Ltd.

Pacific Basin Fund

Phoenix International

Providence Capitol Life Ass. (C.I.)

Quest Fund Mngmnt. (Jersey) Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Asset Mgt. (Bermuda)

Royal Trust (C.I.) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Schroder Life Group

J. Henry Schroder Wagg & Co. Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents.

Standard Chartered Ltd. Bd. Fd.

Stronghold Management Limited

Surinvest (Jersey) Ltd. (x)

Surinvest Trust Managers Ltd. (x)

TSB Unit Trust Managers (C.I.) Ltd.

TSB Gilt Fund Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Unilife Assurance (Overseas) Ltd.

Union-Investment-Gesellschaft mbH

Utd. Intnl. Mngmnt. (C.I.) Ltd.

United States Tst. Intl. Adv. Co.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management♥

Wren Commodity Trust

NOTES

[illegible]

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Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

20J	20D	Do. 14pc '83	102¾	21.5 13.63	13.09
31 Mr	30 S	ICFC 5½pc Deb. '80-82	83½	30.9 6.68	12.50
31My	30N	Do. 6¼pcDb. '81-84	79½	23.4 8.07	12.40
11J	11J	Do. 10½pc Uns.Ln. '86	94	4.6 11.57	12.70
11J	11J	Do. 11pc Uns.Ln. '88	94½	4.6 12.01	12.50
11J	11J	Do. 11¾pc Uns.Ln. '90	96½	4.6 12.59	12.90
30J	31D	Do. 7¼pcADeb. '89-92	66½	4.6 11.38	13.10
31Mr	30S	Do. 7¼pcA Db. '91-94	63	30.9 11.50	12.90
31Mr30S		Do. 9pc 'A' '91-94	74	30.9 12.16	13.00
28F	31A	Do. 8¾pc Ln. '92-97	72½	16.7 12.53	13.08
—		Do. 12¼pc Uns. Ln. 1992	97½	13.8 12.82	12.90

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 10¼% (based on US$2.1052 per £)
Conversion factor 0.9065 (0.9070)

CANADIANS

[illegible]

S.E. List Premium 10¼% (based on $2.5497 per £)

BANKS AND HIRE PURCHASE

[illegible]

March		C'bgn.Hdl.Kr100	£105	133	Q12%	—	10.4
July	Oct.	Corinthian 10p	34	24.9	†1.05	5.9	4.4
	May	Cred. France F75	£18¾	577	Q9.87%	—	3.5
Jan.	Apr.	Dawes (G. R.)	11	18.10	—	—	—
May	Nov.	Deutsche Bank DM50	£71¼	17.5	Q18.12%	—	5.2
—		F. C. Finance	67	23.4	2.2	4.9	4.8
—		First Nat. 10p	7½	97	—	—	—
—		Do. Wrrts. 75-83	2¾	—	—	—	—
June	Dec.	Gerrard Natnl.	260	8.5	9.12	—	5.0
May	Nov.	Gibbs (A.)	52	24.9	2.2	—	6.0
Mar.	Aug.	Gillett Bros. £1	221	30.7	†16.95	—	11.0

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

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[illegible]

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[illegible]

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[illegible]

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[illegible]

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INSURANCE—Continued

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RUBBERS AND SISALS

[illegible]

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MINES

CENTRAL RAND

[illegible]

EASTERN RAND

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FAR WEST RAND

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O.F.S.

[illegible]

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[illegible]

DIAMOND AND PLATINUM

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[illegible]

MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$21⅝	21	Q200c	2.3	11.2
Aug.	Feb.	East Drie R1	$16⅝	27	†Q215c	1.6	8.3
Aug.	Feb.	East Rand Prp. R1	$11	27	†Q10c	—	1.1
June	Dec.	F.S. Geduld 50c	$35	30.10	†Q315c	2.4	10.9
June	Dec.	Pres. Brand 50c	$25¼	30.10	†Q150c	3.2	7.2
May	Nov.	St. Helena R1	$24⅝	26.3	Q390c	◆	15.3
Aug.	Feb.	Stilfontein 50c	975c	21	†Q66c	1.7	8.2
Aug.	Feb.	Vaal Reefs 50c	$39⅝	29.1	†Q260c	2.7	9.0
Feb.	Aug.	West Drie R1	$56	27	Q615c	1.3	0.5
June	Dec.	West Hldgs. 50c	$42½	25	†Q415c	1.4	11.8
Feb.	Aug.	Western Deep R2	$21⅞	29.1	†Q147½c	2.1	0.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling or EEC currencies are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- †† Unlisted security.
- ∯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim, reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ÷ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

" Recent Issues " and " Rights " Page 19

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	27	......	Sindall (Wm.)	174	......
Bertam	18	+1	**IRISH**		
Bdg'wtr. Est. 50p	420	......	Conv. 9% '80/82	£86	......
Clover Croft	28	......	Nat. 9¼% 84/89	£73	+¼
Craig & Rose £1	£10½	......	Fin. 13% 97/02	£81	......
Dyson (R. A.) A	28	+1	Alliance Gas	70	......
Ellis & McHdy	188	......	Arnott	360	......
Fife Forge	48	......	Carroll (P.J.)	57	+4
Finlay Pkg. 5p	20	......	Clondalkin	87	+1
Graig Ship. £1	575	+25	Concrete Prods.	84	......
Higsons Brew	76	......	Helton (Hldgs.)	75	......
Holt (Jos) 25p	255xd	......	Ins. Corp.	212	......
I.O.M. Stm. £1	150	+5	Irish Ropes	75	......
Pearce (C. H.)	360	+20	Jacob	39	......
Peel Mills	30	......	T.M.G.	150xd	......
Sheff. Refrshmt	105	......	Unidare	85	......

OPTIONS
3-month Call Rates

Industrials		I.C.I.	20	Tube Invest.	27
A. Brew	8	"Imps"	8	Unilever	40
BOC Intl.	6	I.C.L.	45	U.D.T.	4
B.S.R.	5	Inveresk	5	Utd. Drapery	10
Babcock	12	KCA	3½	Vickers	18
Barclays Bank	30	Ladbroke	17	Woolworths	6½
Beecham	13	Legal & Gen.	14		
Blue Circle	25	Lex Service	11	**Property**	
Boots	17	Lloyds Bank	24	Brit. Land	7
Bowaters	16	"Lofs"	3½	Cap. Counties	9
B.A.T.	25	London Brick	6	Land Secs.	25
Brown (J.)	7½	Lonrho	6	MEPC	17
Burton 'A'	25	Lucas Inds.	20	Peachey	13
Cadburys	5½	"Mams"	15	Samuel Props.	14
Courtaulds	8	Mrks. & Spncr	10	Town & City	2
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	5	**Oils**	
Dunlop	6	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	P & O Dfd.	10	Burmah Oil	15
E.M.I.	8	Plessey	10	Charterhall	5
Gen. Accident	21	Racal Elect.	22	Premier	4
Gen. Electric	24	R.H.M.	4½	Shell	30
Glaxo	40	Rank Org.	18	Ultramar	22
Grand Met.	13	Reed Intnl.	17		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	23	Spillers	4½	Charter Cons.	16
G.K.N.	22	Tesco	7	Cons. Gold	18
Hawker Sidd	16	Thorn	35	Rio T. Zinc	27
House of Fraser	14	Trust Houses	14		

FINANCIAL TIMES

Monday October 8 1979

Armed strength on parade in E. Berlin

BY ANTHONY ROBINSON, EAST EUROPE CORRESPONDENT

EAST GERMANY staged its biggest ever military parade along East Berlin's Karl Marx Allee yesterday.

It was only hours after Soviet President Leonid Brezhnev had warned western Europe against stationing medium-range nuclear missiles on its soil and proposed unilaterally reducing the Soviet Union's forces in East Germany by up to 20,000 troops and 1,000 tanks.

Mr. Brezhnev, flanked by Herr Erich Honecker, the East German state and party chief, and all other Warsaw Pact leaders except President Nicolae Ceausescu of Romania, took the salute sitting down as the East German armed forces paraded their crack troops and newest weapons through this theoretically demilitarised city.

The 45-minute long parade, in honour of the 30th anniversary of the founding of the German Democratic Republic, included the latest Soviet-built T-72 tanks, Sam-9 ground-air missile launchers, helicopter gunships and the Frog tactical rocket which has nuclear capability.

According to Western observers, this was the first time that T-72 tanks had been on display outside the Soviet Union.

This reflects both the priority given to supplying East Germany's 190,000-strong armed forces and the emphasis on Warsaw Pact weapon modernisation which has led NATO to increase its own defence budgets and contemplate stationing of Western European soil medium range nuclear weapons capable of reaching the Soviet Union.

NATO Ministers are due to take a decision on this issue in December. A study group has already recommended that NATO countries should deploy both the Pershing II and the so-called Euro-cruise missile to balance the medium range SS-20 missiles now stationed in the western part of the Soviet Union.

The proposals have provoked a fierce debate in Western Europe. West Germany, whose willingness to allow such missiles on its soil is the key to future deployment, has made clear that it will only do so if other NATO countries, like Britain and Belgium, do so, too.

The explains the special reference made to West Germany in Mr. Brehznev's speech on Saturday night.

"It is no secret that the Federal Republic, alongside the U.S., is assigned a major role in the preparation of these dangerous plans," Mr. Brehznev said. "Those who shape the policy of that country now face a very serious choice.

"They have to decide what is better for the Federal Republic—to help strengthen peace in Europe . . . or to contribute to a new aggravation of the situation in Europe and the world by deploying on its territory American nuclear missiles spearheaded against the Soviet Union and its allies."

It was at this point that he warned: "It is clear that in the latter case the position of the Federal Republic would considerably worsen . . . and the above said applies to other European NATO countries 'lucky' enough to have such weapons stationed on their territories."

It was only after giving this warning that Mr. Brehznev went on to assert that "the Soviet Union does not seek military superiority" and outlined its unilateral force reductions and other proposals.

These included willingness to start Salt 3 negotiations "immediately after the entry into force of the SALT 2 treaty," and new "confidence building measures."

He proposed that notifications of military exercises should be given further in advance and made applicable to exercises involving 20,000 troops against the 25,000 troops under the Helsinki agreements.

He also proposed "on the basis of repricocity' to limit military exercises to "not more than 40,000 to 50,000 men," and repeated earlier Soviet suggestions for the calling of a "European conference held on the political level to discuss a broad complex of measures of military detente in Europe."

Editorial Comment, Page 14; West worries about "freeze," Page 3

Guerrilla front faces British ultimatum

BY BRIDGET BLOOM

THE LANCASTER HOUSE Rhodesia talks move into their fifth and most critical week this morning with the Patriotic Front guerrilla alliance apparently facing an ultimatum from Britain to accept the new British constitution for Rhodesia or face the breakdown of the conference.

Patriotic Front leaders Mr. Joshua Nkomo and Mr. Robert Mugabe spent most of yesterday closeted in meetings in an effort to work out their joint response to the British constitutional proposals which were tabled last Wednesday by Lord Carrington, the Foreign Secretary, whi is chairing the talks.

The proposals were accepted on Friday by the Salisbury delegation led by Bishop Muzorewa, the Zimbabwe Rhodesia Prime Minister. According to Patriotic Front officials, the Front will this morning table a series of detailed reservations to the proposals.

The front does not see its reservations—on land, citizenship and other matters—as a make or break issue. Front delegates were insisting in London last night that despite the arm-twisting tactics of Lord Carrington and his team at Lancaster House, they intend to stay in London to continue negotiations on the constitution and the transition.

However, Britain will apparently insist today that the Front either accepts or rejects thhe constitution as it stands. Britain is in no mood to re-epen what it considers to be completed negotiations on a constitution which. Lord Carrington said last Wednesday, the Government intends to recommend to Parliament.

This position is likely to be strongly disputed in today's session by the Patriotic Fronst, which in the last few days has become increasingly resentful of Britain's "cavalier" approach.

It seems likely that today's session—if it is not adjourned as soon as the Front has presented its qualified reply to the constitution — could see some tough wrangling between it and Britain.

However, there were hopes last night that pressure could be brought to bear on the interested parties to accept a formula which would allow both sides to save face and the conference to continue.

Representatives of the "front-line" African States and others currently observing the conference are working on a compromise which would allow the Front to express its reservations while acquiescing very grudgingly in the document as a whole.

The key point here would be that the Front would insist and Britain would accept that agreement on hte constitution would be contingent on acceptable arrangements being negotiated for the transition.

But while there is still a good chance that the conference will go ahead, it may be another week before the compromise is agreed.

Smith Rejects Proposals, Page 4

JAPANESE ELECTIONS

Ohira 'landslide' still in balance

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKIO

PRELIMINARY RESULTS from yesterday's Japanese general election (to the Lower House of the Diet) indicate that the ruling Liberal Democratic Party will increase its majority—but probably not by as much as the party had hoped.

The Liberal Democrats had won 182 seats, against 135 seats for the five main opposition parties, when counting ended after midnight in most rural constituencies. Another 16 independents (including several unofficial supporters of the ruling party) had also been elected.

On the strength of these results, a computer forecast gives the Liberal Democrats a final total of about 260 seats in the 511-seat Lower House. This is substantially more than the party won in 1976, when its initial score, before Conservative independents had joined the party, was only 248.

But it falls well short of the 271 "*magic figure*" at which Mr. Masayoshi Ohira, the Prime Minister, is known to have been aiming. With 271 seats, the Liberal Democrats would be able to control all major committees in the Lower House.

A final Liberal Democrats score of 271 still appeared to be within reach last night, on the assumption that a dozen or so conservative independents join the party once polling is completed. The result, however, is acknowledged to be in the balance.

Predictions of what may happen today, when votes are counted in Tokyo and other big cities, have been hampered by the fact that polling was low throughout central Japan, owing to heavy rain. Only 68.1 per cent of the registered electorate bothered to vote, a mere 0.2 per cent above the previous post-war low.

The Liberal Democrats' modest gains in yesterday's voting appear to have been balanced by substantial losses for the Japan Socialist Party (the largest opposition group), which could find itself with only 106 seats in the new Diet (116 after the 1976 election).

The Buddhist-orientated Komeito also did poorly, but the Japan Communist Party, which took a severe beating in the 1976 elections, appears to have bounced back with almost double the number of seats it won three years ago.

Continued from Page 1

Ministers reconsider

the Statute Book a clause inserted by the Conservative Opposition in 1974 and repealed by the Labour Government in 1976. That clause made it clear that only breaches of employment contracts were protected from court action.

The lorry-drivers' strike last winter and the furore about drivers' picketing focused attention on so-called "secondary picketing"; and this is now seen by the Conservative Party as the political priority, a subject which the public can readily understand.

Mr. Prior's decision has been complicated by the fact that a crucial House of Lords hearing of a Fleet Street "blacking" case — Express Newspapers v. McShane—will not be heard until next month.

If the Lords upholds Lord Denning in the Appeal Court ruling against Mr. McShane and the National Union of Journalists, that would put a curb on secondary action by another route.

Lord Denning held that trade unions could claim immunity in furtherance of a trade dispute only if such "furtherance" could be objectively measured. It was not enough for a union to believe that its action was furthering its cause.

A decision from the Lords favourable to the Government's aims could make a statutory amendment in Parliament unnecessary.

Largest leasing contract studied by UK banks

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

DISCUSSIONS which could result in the largest single leasing contract ever signed by a British bank are going on in the City.

The talks concern the financing of the Shell/Esso North Sea support vessel, the order for which was lost by British yards to the Rauma Repola yard in Finland earlier this year.

As operator for the partnership, Shell is believed to have approached each of the four leading clearing banks for quotations on a seven to 10-year lease to finance the support vessel and related equipment costing about £60m.

Indications from the leasing market suggest that Shell is now in advanced discussions with one of the big clearers, possibly Barclays Bank, although Barclays has refused to comment on the matter.

"We are talking to a number of lessors about the idea of leasing this vessel. Discussions are still taking place," Shell said.

Barclays, through its finance house and leasing subsidiary Mercantile Credit, is the second largest provider of lease finance in the UK. Last year, Mercantile Credit leased equipment costing £178m, while National Westminster Bank's subsidiary — Lombard North Central — leased assets worth £216m.

The banks have a considerable incentive to provide lease finance because it enables them to shelter their profits from corporation tax. This is because banks become entitled to the tax allowances relating to leased assets, rather than the user of the assets.

Continued from Page 1

Tories

and that the majority of delegates will be satisfied if Lord Carrington, Foreign Secretary, reiterates that it is the Government's intention to remove sanctions as soon as a satisfactory agreement is reached.

Nevertheless, Wednesday's debate is bound to show up the division in the party over Rhodesia and some representatives will no doubt express very strong feelings. If the committee responsible for organising the conference agrees to harden up the resolution on Rhodesia currently on the agenda, an amendment will be debated which would urge the Government to recognise the existing "multi-racial government" given Zimbabwe Rhodesia Prime Minister Bishop Abel Muzorewa's acceptance of the British proposals for a new institution.

Engineering unions' 'great victory' denied by employers

BY ALAN PIKE, LABOUR CORRESPONDENT

THE VIEW that union leaders have "won a grat victory" in the engineering dispute is rejected by the Engineering Employers' Federation in a justification of its settlement which will reach finance institutions and 6,500 member companies today.

As part of the four-year agreement which ended the dispute last week, the industry's normal working week will go down from 40 to 39 hours in two years. Union leaders regard this as a breakthrough of outstanding importance in their campaign for a shorter working week throughout industry.

But Mr. Anthony Frdosham, director general of the EEF, says today that the employers' negotiators are confident the agreement is a good one, which it would have been impossible to achieve without the "unprecedented solidarity" shown by member companies.

"Thanks to this solidarity we have been able to drive away the most damaging elements of the claim and gain time in which to find ways of offsetting, by increased productivity, the cost of the eventual one-hour reduction in the working week.

"This same strength enabled us to insist on major concessions over anniversary dates, and to obtain the four-year agreement, which we believe will ensure industrial harmony through the difficult period of recession ahead of us, he says.

Mr. Frodsham's letter has been sent to financial institutions, as well as his own members, as a follow-up to a meeting last month at which the EEF outlined the position it was taking in the dispute.

The letter does not explain why the EEF eventually gave way on the 40-hour-week principle. Like the unions, it had made it the most hard-fought issue of the action. But the federation says that "the inevitable introduction of a 39-hour-week is pushed off for two years, and there will be no further reduction in hours for at least four years."

An accompanying document on the economic implications of the settlement calculates that, if there were no increase in productivity, the ultimate effect of the four-year agreement on hours and extra holidays would be an increase in direct labour costs of about 8 per cent.

Labour News, Page 7

Axe may fall on seven industrial watchdogs

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

PLANS for abolishing seven of the 60 sector working parties and "little Neddies" which formed the basis of the last Government's industrial strategy are to be considered today by the National Economic Development Council.

The fate of a further 15 to 20 wil depend on whether they manage to prove more effective in improving the efficiency of their industries during the next six months.

These relatively limited proposals are being put to today's council meeting by the National Economic Development Office for the first review of the group's work since the Conservatives came to power.

The proposals may be amended by those present, who will include Confederation of British Industry and TUC leaders as well as Sir Geoffrey Howe, Chancellor of the Exchequer, and Sir Keith Joseph, Industry Secretary.

Ministers have accepted that the working parties and committees can do useful work, but are anxious to abolish those which are either not wanted by the compaines and unions involved or which are not proving effective.

The lists perpared for today's council are based on a "ranking exercise" carried out by NEDO based on factors such as the importance of the industry concerned in terms of the size of its workforce, and its potential for export and reform.

Among the seven proposed for winding up are economic development committees (Little Neddies) covering hotels and catering, motor vehicle distribution and repair, and international freight movebent.

Weather

UK TODAY

SCOTLAND rather cloudy, some showers in north-west, rain later in south.

London, S.E., E. England
Bright at first, becoming cloudy with occasional rain. Max. 17C (63F).

S., S.W., Channel Islands, Wales
Cloudy with outbreaks of rain. Strong winds to gale. Max. 17C (63F).

W., N.W., Lakes, I. O. Man, N. Ireland
Bright at first, becoming cloudy. Strong to gale winds. 15C (59F).

N Scotland, Orkney, Shetland
Mainly cloudy. Scattered showers. Gale later. 14C (57F).

Rest of Scotland
Mainly dry with sunny periods, becoming cloudy with rain. Gale later. Max. 15C (59F).

Outlook: Unsettled.

WORLDWIDE TEMPERATURES

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	21	70	Cpnhgn.	S	11	52	Luxmbg.	R	11	52	Prague	S	16	61
Algiers	S	27	81	Corfu	F	24	75	Luxor	F	30	86	Reykjvk.	S	7	45
Amsdm.	C	16	61	Dublin	F	18	64	Madrid	C	19	66	Rhodes	S	23	73
Athens	C	25	77	Dbrvnk.	C	21	70	Majorca	S	26	79	Rio J'o	C	37	98
Bahrain	F	35	95	Ednbgh.	C	16	61	Malaga	S	24	75	Rome	F	23	73
Barclna.	F	25	77	Faro	C	20	68	Malta	S	26	79	Salzbrg.	S	18	64
Beirut	F	23	73	Florence	F	22	72	M'chstr.	C	17	63	S 'cisco	C	19	66
Belfast	R	15	59	Frankft.	C	14	57	Melbne.	R	13	55	Singapr.	C	31	88
Belgrd.	C	6	43	Funchal	C	21	70	Milan	F	18	64	Stckhm.	S	10	50
Berlin	S	14	57	Geneva	C	14	57	Mntreal.	C	14	58	Strasbg.	C	16	61
Biarritz	F	24	75	Gibrltr.	S	23	73	Moscow	C	5	41	Sydney	R	21	70
Bmghm.	C	17	63	Glasgow	R	14	57	Munich	S	16	61	Tangier	C	25	77
Blackpl.	F	17	63	G'rnsey	C	15	59	Nairobi	S	24	75	Tehran	S	23	72
Bordx.	S	23	73	Helsinki	C	11	52	Naples	C	22	72	Tel Aviv	C	28	82
Boulgn.	F	16	61	H. Kong	F	27	81	Nwcstl.	S	17	63	Tenerife	F	23	73
Bristol	C	18	64	Innsbrk.	F	17	59	N. York	F	20	68	Tokyo	R	16	61
Brussels	C	17	63	Invrnss.	F	15	59	Nice	C	20	68	Toronto	C	14	57
Budpst.	R	9	48	Istanbul	C	16	61	Nicosia	F	28	82	Tunis	F	26	79
B. Aires	S	18	64	Jersey	S	19	66	Oporto	F	21	70	Valencia	S	26	79
Cairo	C	31	88	Jo'burg	F	21	70	Oslo	C	9	48	Venice	F	17	63
Cardiff	C	16	61	L. Plms.	S	24	75	Paris	C	19	66	Vienna	S	12	54
Cas'b'ca	S	24	75	Lisbon	F	20	68	Perth	C	19	66	Warsaw	S	12	54
Cape T.	S	18	64	Locarno	C	16	61					Zurich	C	16	61
Chicago	F	13	55	London	F	18	64								
Cologne	F	15	59	Los Ang	F	29	84								

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

Money rates after the Fed's move

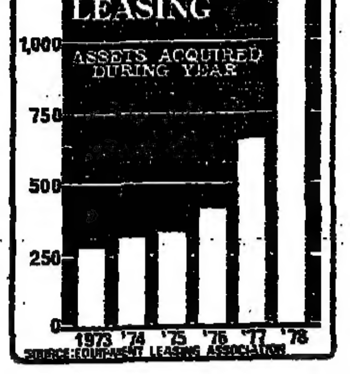
When Mr. Poul Volcker, chairman of the Federal Researve Board, flew home from Belgrade last Tuesday there was a strong hint that the U.S. Government had accepted that any cure for the dollar's problems must be found at home. Before the weekend a shakeout in the gold price indicated that some kind of dollar support operation package was expected in the international financial markets.

Now the Fed has duly produced a monetary package which will strengthen its failing grip on U.S. monetary expansion, and must have a favourable short-term impact on the dollar's fortunes. Yet there are no changes in U.S. fiscal policy, though Mr. Volcker felt it necessary to repeat his view that this is not the time for tax cuts. Nor is there any move to finance a greater part of the U.S. balance of payments through a stepped up programme of gold sales, something that will bring relief to the bullion market.

On this side of the Atlantic, the near-term implications of the measures are not going to bring comfort to those hoping for an early turnround in interest rates. The recent further increases in U.S. money rates are confirmed through the rise in the discount rate and the Fed has given warning that it is adopting something closer to a monetary base method of controlling credit growth. This will mean much sharper fluctuations in short term interest rates. For the moment, the presumption must be that those fluctuations will be mostly in an upwards direction.

In the UK the Fed's measures will serve to stifle the few voices which had been starting to talk, very quietly, about actual cuts in sterling interest rates. Some money market rates in London have in fact eased a fraction in the past week or so—the Treasury bill rate was a little lower at Friday's tender—and there are expectations that the banking figures for the September banking month, which are to be published tomorrow, will indicate a slowdown in bank lending and in monetary growth. But one month's respite cannot bring much of a change in the official stance and anyway, the external picture has changed dramatically.

When Minimum Lending Rate was put up to 14 per cent in the June Budget, sterling enjoyed a big interest rate cushion; but the four-point gap between Eurosterling and Eurodollar short-term rates has now almost disappeared. A number of the bulls in the gilt-edged market have already moderated their enthusiasm. Their fading hopes must now be pinned on the chance that the U.S. measures will at last mark a peak for dollar rates, and that the turnround in the financial markets will be sharp—even if it does not come yet.



Lloyds Bank

The news that Midland Bank group is close to rationalising its finance house, leasing, and factoring activities into a single integrated operation inevitably raises questions about the position of Lloyds Bank. Alone among the big four clearers, Lloyds does not have a finance house. Its principal interest in the instalment credit market is through a 40 per cent direct interest in Lloyds and Scottish—where the Royal Bank of Scotland Group has a similar holding. Such a set-up can only be understood against the historic pattern of British banking connections, and is now becoming increasingly hard to justify.

The oddity of the position comes into sharp focus in the area of leasing, which is now well and truly established as a method of bank lending to industry. Without its own network of finance house outlets, Lloyds is at a severe disadvantage against Barclays and NatWest, both of which have long had integrated HP and leasing operations. This has prevented Lloyds from participating to any significant extent in the medium and small company leasing market, and it has been a noticeable absentee in the car leasing sector during the 1977-78 boom.

Instead, making a virtue out of necessity, Lloyds has been forced to concentrate its leasing ambitions on so-called "big ticket" items. This part of the leasing market does not demand retail outlets up and down the country, and until now Lloyds has operated with only two offices. But now that the leasing market in general is becoming far more competitive—partly as a result of the increase in the number of industrial and commercial lessors—Lloyds is inevitably at a disadvantage.

It might not be so bad for Lloyds, if it could feel that its share of the leasing business was going to Lloyds and Scottish. But this is not the case because Lloyds and Scottish lacks sufficient taxable profits of its own to be able to justify more than a limited involvement in leasing. If it were a subsidiary of Lloyds, however, it would have full access to Lloyds group profits, for which it could then be used to provide the extent of tax shelter desired.

There are two apparent courses of action for Lloyds. One would be to try to negotiate a takeover of Lloyds and Scottish, though this would require the co-operation of the RBS. There is even a suggestion that the RBS would want Lloyds and Scottish for itself, paying perhaps with some or all of the assets of its small English clearing bank, Williams and Glyn's.

The other solution would be for Lloyds to take on one of the larger non bank-owned finance houses. The candidates could be UDT, still languishing in the banking lifeboat, or Bowmaker, which might be available at a price. Whatever happens, the chances are that some loose ends in British banking will be tied up over the next year or so.

Armstrong Equip.

It is nice to find that at least one successful company still thinks there is money to be made out of UK manufacturing industry. Whereas GKN is spending huge sums to get into parts distribution, Armstrong Equipment is concentrating on its manufacturing interests—where it makes much higher returns than in distribution. It is selling its wholesale and retail outlets to GKN for £14, rather more than net asset value, which is a very nice sum for a company valued by the stock market at £30m. The proceeds will wipe out its overdraft, and clear the way for further acquisitions.

Provided its shareholders approve, its first move will be to acquire one of GKN's fastening businesses for £2.1m. Like other purchases made by the company in this area, Armstrong is offering much less than net asset value for a business with very poor profits. It seems to have the knack of making money out of such deals—maybe it should share its secret.

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